THE Freeman

IDEAS ON LIBERTY

FEBRUARY 1958

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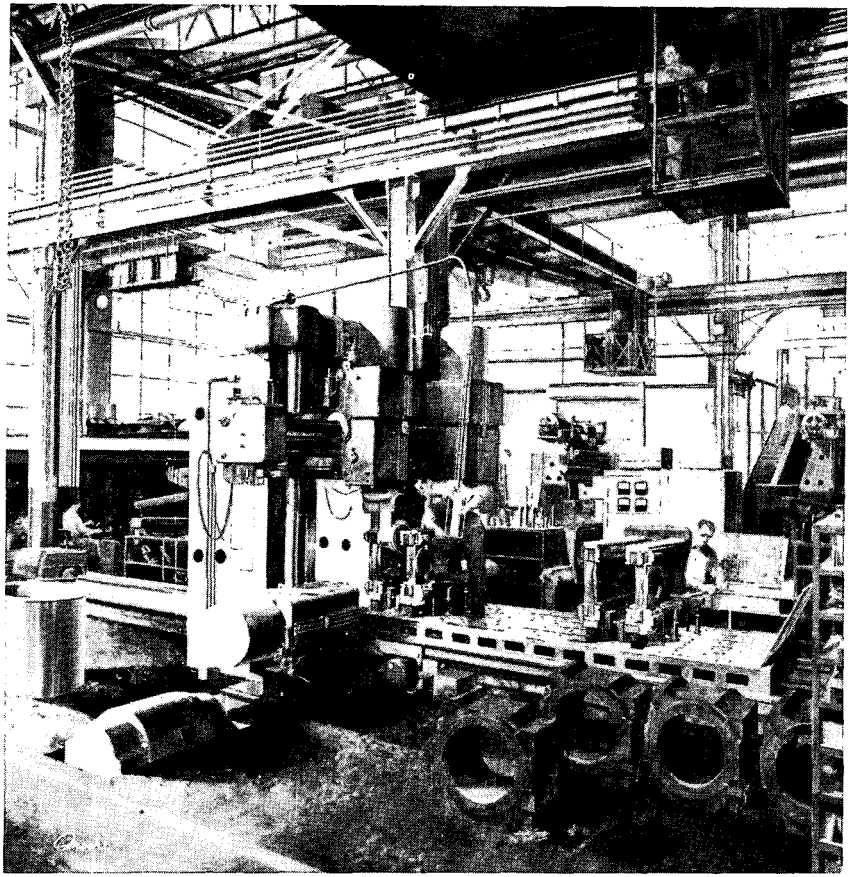

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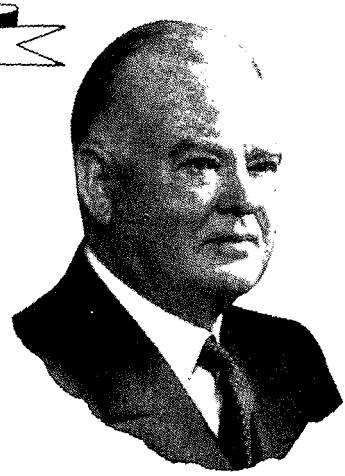
A CONCEPT OF PRIVATE ENTERPRISE

by Herbert Hoover



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The continuance of such activities by the Government must be made subject to rigid justification; occasionally this can be done, but the burden of proof in all instances must be on the Government. Unjustified continuance is a definite injury to the vitality of the whole private enterprise system.

The above comments are condensed from the Preface to the "Hoover Report on Business Enterprises." A copy of the complete Preface may be obtained by writing to:

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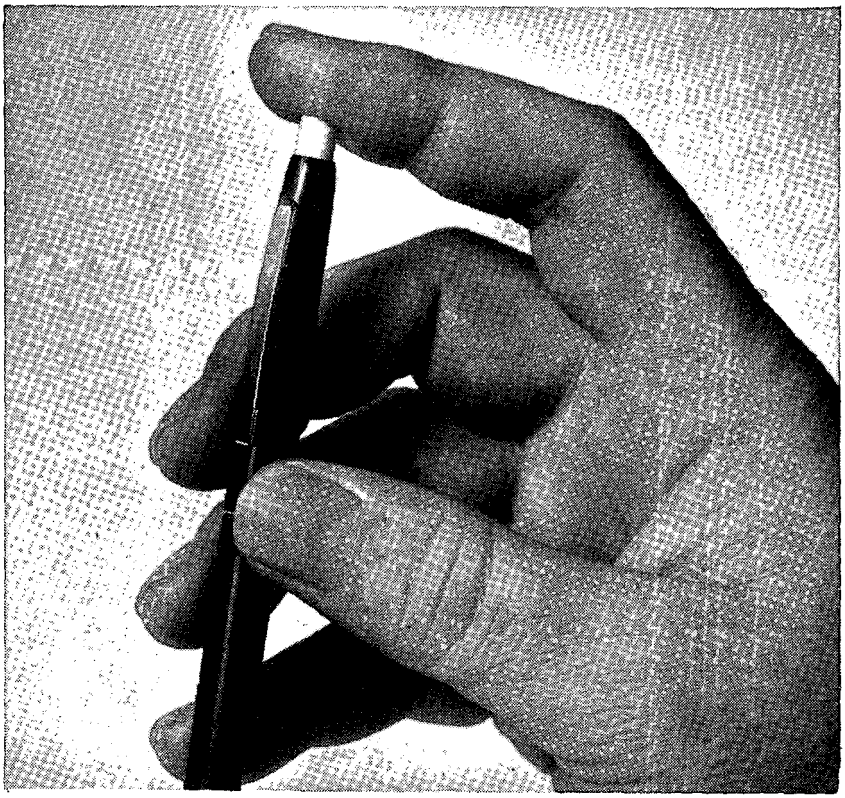

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THE Freeman

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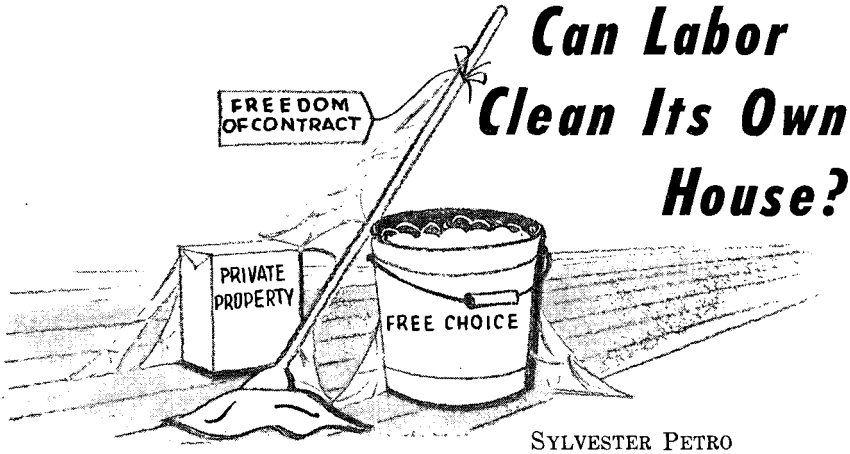
Can Labor Clean Its Own House?



SYLVESTER PETRO

THE ANSWER IS that no one else can. But before any house can be cleaned, one has to recognize dirt when one sees it; and one needs a broom, mop, water, strong soap, and above all else, the will and the power to clean up. All these things are now lacking, and more. Not only is there trouble about recognizing the dirt. There is even some doubt concerning the identity of the house cleaner, and some people seem to be confused about where to get the cleansing materials.

The house cleaners will have to be the workingmen of the country. The cleansing materials will have to be their own free choice and their right to refuse to join unions or to participate in strikes, picketing, and boycotts. If the workers are to have any success in the exercise of these rights, they are going to need the protection which governments have so far denied them. For the sad condition of the house of labor is the consequence, basically, of the fact that governments in this country have been failing to protect the basic rights of free men in the labor field.

The basic rights of free men are the rights of private property and freedom of contract. These rights, when their exercise is protected by government, give men the freedom to control their persons and their property. They mean in the labor field that a worker has free access to all em-

---

Dr. Petro is Professor of Law at New York University School of Law and author of the book, The Labor Policy of the Free Society, *(New York: Ronald Press, 1957). This article is from an address before the Congress of American Industry of the N.A.M. in New York, December 1957.*

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ployment opportunities; that he may take work whenever the wages and other conditions are acceptable to him; refuse it when they are not. They mean that the worker's will and inclination prevail regarding whether and when he will accept or continue in employment, not the will of anyone else – unless the worker has come to some voluntary agreement on such matters with someone else.

Property and Contract

No man can be called a free man unless he has these rights intact. Unless workers are free men, they will not keep the house of labor clean. As a matter of fact, unless they are free men with the rights of free men, they will be *unable* to keep it clean. Men who have learned to accept being pushed around, who have been compelled to follow outside decisions on matters affecting their most intimate personal affairs and responsibilities, are immersed powerlessly in dirt so pervasive that they have trouble remaining conscious of it. They may not even think of cleaning up things. And perhaps they are better off so; for if by a powerful exercise of imagination and will they should conceive of a cleansing operation, they would be literally incapable of doing anything about it, and they might get badly hurt.

For government has not been doing the job for which it was created. Certainly it has not been doing the job in labor relations. We have government committees studying all phases of the labor-management field, except the critical phase – namely, the status of law and law-enforcement. The basic job of government everywhere, and particularly in the labor relations field, is to protect and promote the rights of private property and freedom of contract.

Our governments have been established in order to do three great jobs: (1) prevent and punish violence, fraud, intimidation, and coercion; (2) protect the personal freedom and the freedom of contract of all persons, including workingmen; and (3) in general, make men secure in their persons, properties, and opportunities. In a word, we expect government – and government undertakes – to prevent some people from pushing others around.

Failures of Government

Trade-union leaders and businessmen are undoubtedly guilty of a good many kinds of antisocial conduct. Their transgressions, however, are insignificant when compared with the failures of government. Established to protect private property and freedom of contract, our governments have

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themselves been guilty of some of the worst forms of expropriation and interference with freedom of contract – not only, but especially, in labor relations. Conceived essentially in order to maintain the peace – to prevent and remedy violence and coercion – government has abdicated that responsibility to a great degree.

Government has taken away from workers one of the most valuable aspects of their property and contract rights. It has told them that they cannot make their own employment contracts. A worker has to accept the dictate of a governmental agency as to his "appropriate bargaining unit." Once he finds himself in this arbitrary grouping, he is forced to give up his right to bargain for himself, if a majority of the employees in that grouping so will it. Indeed, if he has been vigorous and sturdy in his objection to the union chosen by a majority, he is more than likely to find himself in a very bad way. But he will be unable to do anything about it because the government authorized to protect his property and contract rights has expropriated him.

There is no likelihood that such a man will have any influence on the way the union is run. An organization which can control a man's activity against his will is not going to be very solicitous about him. He will have to tread very softly if he wishes to tread at all. Not much house cleaning can be expected of him. All that can be expected is that, if conditions become absolutely intolerable for him, he will go away. When such men have no alternative but to go away, there are left only people who, as a whole, have very little stomach for house cleaning, if, indeed, they can even recognize dirt when they see it. When our people in government get seriously concerned with doing their job in labor relations, they will want to repeal the expropriation inherent in the appropriate-bargaining-unit and majority-rule principles.

Violence Goes Unpunished

Government action in the labor relations field cannot be taken seriously at all, either, until our duly constituted authorities begin acting straightforwardly, vigorously, and courageously against violence in labor disputes. There is no excuse whatsoever for the practically universal failure of government agents to do this part of their work. Governments are absorbing about a third of the national income, and I understand that there are over seven million nonmilitary federal, state, and local employees. In the absence of the most cogent evidence and argument to the contrary, one may

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therefore insist that we are spending enough to entitle us to expect basic protection against brutality, violence, and intimidation in labor disputes.

This is not a matter upon which reasonable minds may differ; everyone is against violence in labor disputes. Again, there are no difficult or complicated technical problems; it is necessary only to prevent masses of people from gathering at a strike-bound plant. It should be a great deal easier to limit picketing to one or two persons than it has been to disperse the rioting people in Little Rock. So far, however, our governmental authorities have been dismal failures. A more or less futile court order after violence has occurred is the most that one can expect. As things are now going, an employer can count himself lucky if he doesn't have to pay unemployment compensation when union violence discourages people from working!

Any talk about a clean house for labor is absurd and ridiculous until violence and the conditions in which it breeds are extirpated. Peace and order bring one kind of person to the fore; violence and intimidation are the conditions in which another kind of character flourishes. The point doesn't need any further emphasis.

What cannot be overemphasized is the failure of government to enforce the basic and sensible laws of the land, federal and state. Both federal and state laws forbid all kinds of economic coercion in labor relations. Employers are prohibited from coercing workers in regard to their choice of unions. Unions are equally prohibited. The Taft-Hartley Act and the laws of many states, when properly understood and interpreted, declare that unions may not force membership upon unwilling employees through the use of economic pressures. This means that such plainly coercive measures as stranger picketing – that is, picketing by a trade union which represents none of the employees of the picketed establishment – compulsory-unionism contracts, and all boycotting techniques are forbidden.

Compulsory Membership

It is a well-known fact, however, that the administration of law leaves untouched most of those forms of union coercion. As a consequence, one may conclude with confidence that the unionization which we have known for the past ten years or more has been, to a considerable extent, *coerced* unionization: employees have been compelled, the national labor policy to the contrary notwithstanding, to accept unions not of their own choosing.

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It is necessary to distinguish between the antiunion coercion of which employers are guilty and the coercive methods of organization pursued by unions. No one doubts when an employer fires or threatens to fire a man for joining a union, that the employer is violating the law. Moreover, there is little doubt that the NLRB will prosecute such cases and, if there is any evidence at all of antiunion coercion, hold the employer guilty of an unfair practice. In fact, in the current investigations of the Senate Committee on Corrupt Union and Management Practices, the Committee is to a considerable extent merely raking over cases in which the NLRB has found employers guilty of unfair labor practices.

Organizing Methods

As yet, however, the Committee has not seen fit to inquire into the thousands of cases in which the Teamsters and other unions have been using stranger picketing and various kinds of boycotts as methods of compelling unionization. There cannot be the slightest doubt that stranger picketing and boycotts do involve economic coercion of precisely the same type as the employer's discharge or threat of discharge. Likewise, there cannot be the slightest doubt that such coercive methods of organization are all clear violations of the Taft-Hartley Act.

Yet for more than ten years stranger picketing, "rovingsitus" picketing, hot-cargo agreements, and a number of other techniques of coercive and compulsory unionization have been in constant use all over the country. The number of employees who have been compelled against their will to join unions must be of a very large order of magnitude. And for more than ten years, these coercive organizing methods, though plainly contrary to the law, have been held by the NLRB to be not unlawful.

It is true that in October the NLRB took a small step in the right direction by holding unlawfully coercive one narrow and illusory category of stranger picketing. According to the Board a union violates the law if it engages in stranger picketing after it has been defeated in an election, provided that it is unwise enough to say that it is picketing for immediate recognition. If the union engages in stranger picketing before it has been defeated in an election, and if it is astute enough to say that it is picketing for organizing purposes – not for immediate recognition – then, according to the NLRB, it may not be guilty of unlawful coercion.

That is a pure case of tweedle-

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dum and tweedle-dee. There is no basis in the law generally, in the Taft-Hartley Act, or in common sense for the distinction which the Board has drawn. If stranger picketing is economically coercive in any case – as it undoubtedly is – then it is economically coercive in every case; for its methods, objectives, and manner of operation are always the same, no matter when it occurs or what it is called.

One-Way Investigations

Even if the Board had gone the whole way, had held that all stranger picketing is unlawfully coercive, one might still ask why it is that such a decision came so late. It is more than ten years since the Taft-Hartley Act was passed. During that time, as well as earlier, stranger picketing has been perhaps the most common of all trade-union organizational methods. Furthermore, the language of the statute has not been changed since 1947. The answer, of course, is that until recently the NLRB has found those parts of the Taft-Hartley Act which define unfair practices of unions to be singularly mysterious and of uncertain reach and intent. Whereas the NLRB found it easy to read the employer unfair practices as proscribing every conceivable type of employer pressure, the identically worded union unfair practices could not, the Board felt, be intended to mean the same thing.

And so, while the Senate Committee has been rehashing in the case of employer "corruption" only conduct which the Board has since the very beginning prosecuted, it has curiously refrained, thus far at least, from inquiring into the methods by which unions are daily coercing the free choice of employees. To put the matter another way, it has been preoccupied with the surface manifestations of trade-union corruption – the cheap thievery, double dealing, and the embezzling. It has not been concerned at all with even the deeper manifestations of corruption – the violence and the compulsion which underly so much of modern American trade-unionism. More important even than that, the Committee has not revealed any understanding at all of the fundamental causes of both the deeper and the more superficial forms of corruption.

The causes lie essentially, I repeat, in the errors, failures, and derelictions of government in the labor relations field. Unions have been given special privileges at the expense of the basic rights of employees and employers. While employers have been forced to take a strictly hands-off attitude, and while the contract rights of workers have been vitiated, unions

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have been given the formal *de jure* power to control employment and employment conditions, and they have been given the informal *de facto* power to use violence and economic coercion as means of compelling both membership and acquiescence in union policies, programs, and tactics.

Power Corrupts Leaders

If the house of labor needs cleaning now, it will continue to need cleaning until these failures of government are corrected and until the formal and informal special privileges of unions are eradicated. No human agency can be trusted with the kinds of power which the errors in government have given trade-union leadership. Establish an environment permeated with coercion and compulsion and you are bound to attract men who excel in those modes of conduct. Those who do not excel will either have to learn or make way for men with richer natural endowments.

Workers who have become accustomed to being pushed around, who, owing to the failures of governments to do their basic job, are used to the rigorous controls of compulsory union methods, are in a position to do very little about cleaning up things. They can do nothing but bear the oppression and exploitation of their leadership. Moreover, it would be ill-advised to expect any real forward-looking action from the leadership.

Let the Market Decide

If union leaders are to be kept in line, they must remain exposed, like everyone else in a free market, to the loss of their "business" when they do not perform satisfactorily. Instead of making a union the exclusive bargaining representative for all employees in a firm when it has been selected by only some, the law should see that those who object to the union retain their basic right, as free men, to fend for themselves. When men are forced in the first place to join unions, forced in the second place to go along with all plans and programs conceived by their leaders, and forced in the third place to keep their peace if they wish to keep their jobs (and maybe their health) – it is not at all surprising to find a good many trade-union leaders less than responsive to or honest with their membership.

No one should be at all surprised either that the Ethical Practices Committee of the AFL-CIO, for all its concern with "trade-union morality," has failed utterly to deal with the violence, the coercion, and the other matters discussed here. If it had dealt with such matters, there

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might have been a great many more suspensions and expulsions than there have been.

Power acquired by force and subject to no continuing functional check is bound to corrupt. Corporate managements are kept in line by the right of stockholders to move their equities when they are dissatisfied and by the right of consumers and other purchasers to take their patronage elsewhere without let or hindrance when price or quality are poor. If the house of labor is to be clean, the same general principles must be applied there, with the workingmen of the nation in the position of stockholders and consumers. It is as absurd to expect good clean unionism in conditions of extensive compulsory unionism, as it would be to expect good government in a society where the divine right of kings or the dictatorship of the proletariat was the central political principle. • • •

SERMON

MALLORY CROSS JOHNSON

What is war but death and taxes?
How will killing make men free?
Good will never come from evil;
As the seed, so grows the tree.

Taxes sap the life away from
Every source of future wealth,
Thrift and honesty discourage —
How can sickness bring us health?

Nor can bombing draw together
Men in friendship in the way
Voluntary operations
Draw men closer every day.

If you burn to fight for freedom
Know the source wherein it lies:
By respecting every person
Each will help the other rise.

Mrs. Johnson and her husband, formerly of the Foundation staff, continue their study of freedom from Malaga, Spain.

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an Imperial Rescript

Editor's Note: This verse, written in 1890, apparently was inspired by an International Labor Conference called by Germany. There had been complaints that foreign labor was undercutting the level of wage rates in Germany; and the purpose of the Conference was to set a floor under wages — a world minimum wage.

RUDYARD KIPLING

NOW THIS is the tale of the Council the German Kaiser decreed,
To ease the strong of their burden, to help the weak in their need,
He sent a word to the peoples, who struggle, and pant, and sweat,
That the straw might be counted fairly and the tally of bricks be set.

The Lords of Their Hands assembled. From the East and the West they drew –
Baltimore, Lille, and Essen, Brummagem, Clyde, and Crewe.
And some were black from the furnace, and some were brown from the soil,
And some were blue from the dye-vat; but all were wearied of toil.

And the young King said: – "I have found it, the road to the rest ye seek:
"The strong shall wait for the weary, the hale shall halt for the weak:
"With the even tramp of an army where no man breaks from the line,
"Ye shall march to peace and plenty in the bond of brotherhood – sign!"

The paper lay on the table, the strong heads bowed thereby,
And a wail went up from the peoples: – "Ay, sign – give rest, for we die!"
A hand was stretched to the goose-quill, a fist was cramped to scrawl,
When – the laugh of a blue-eyed maiden ran clear through the council hall.

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And each one heard Her laughing as each one saw Her plain –
Saidie, Mimi, or Olga, Gretchen, or Mary Jane.
And the Spirit of Man That is in Him to the light of the vision woke;
And the men drew back from the paper, as a Yankee delegate spoke: –

"There's a girl in Jersey City who works on the telephone;
"We're going to hitch our horses and dig for a house of our own,
"With gas and water connections, and steam-heat through to the top;
"And, W. Hohenzollern, I guess I shall work till I drop."

And an English delegate thundered: – "The weak an' the lame be blowed!
"I've a berth in the Sou'-West workshops, a home in the Wandsworth Road;
"And till the 'sociation has footed my buryin' bill,
"I work for the kids an' the missus. Pull up! I'll be damned if I will!"

And over the German benches the bearded whisper ran: –
"Lager, der girls und der dollars, dey makes or dey breaks a man.
"If Schmitt haf collared der dollars, he collars der girl dermit;
"But if Schmitt bust in der pizness, we collars der girl from Schmitt."

They passed one resolution: – "Your sub-committee believe
"You can lighten the curse of Adam when you've lifted the curse of Eve.
"But till we are built like the angels – with hammer and chisel and pen,
"We will work for ourselves and a woman, for ever and ever, amen."

Now this is the tale of the Council the German Kaiser held –
The day that they razored the Grindstone, the day that the Cat was belled,
The day of the Figs from Thistles, the day of the Twisted Sands,
The day that the laugh of a maiden made light of the Lords of Their Hands.

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Comedy at the Bargaining Table

SVEN RYDENFELT

When the publishing firm of Natur och Kultur, in Stockholm, recently brought out a Swedish edition of F. A. Harper's Why Wages Rise, *they asked Dr. Rydenfelt, an economist at the University of Lund, to write a supplement for the book in which he would test its thesis against Swedish experience. This article is extracted therefrom.*

CHANTICLEER in Edmond Rostand's animal play loudly announces every day at dawn the break of the new day. Shortly after the cock's crowing, the sun rises. The interesting thing about Chanticleer is that he firmly and completely believes that it is his crowing that makes the sun rise.

In his study, *Why Wages Rise,* Dr. F. A. Harper examines this Chanticleer attitude displayed by American trade unions. They firmly assert that their deep-toned pressure at the bargaining table, in conflict with employers, forces higher wages – and, consequently, a higher standard of living. But Harper shows convincingly that increased productivity is the basis for the rising wages. He also refutes the claim of the unions that reduction of the working week from 70 to 40 hours is their achievement.

How does Dr. Harper's thesis agree with Swedish experience concerning wages and productivity?

Some understanding of the cause of growth in the wages of Swedish workers may be gained from the investigations reported in Professor Svennilson's classical work, *Wages in Sweden.* He thus

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describes the development from 1860 to 1930:

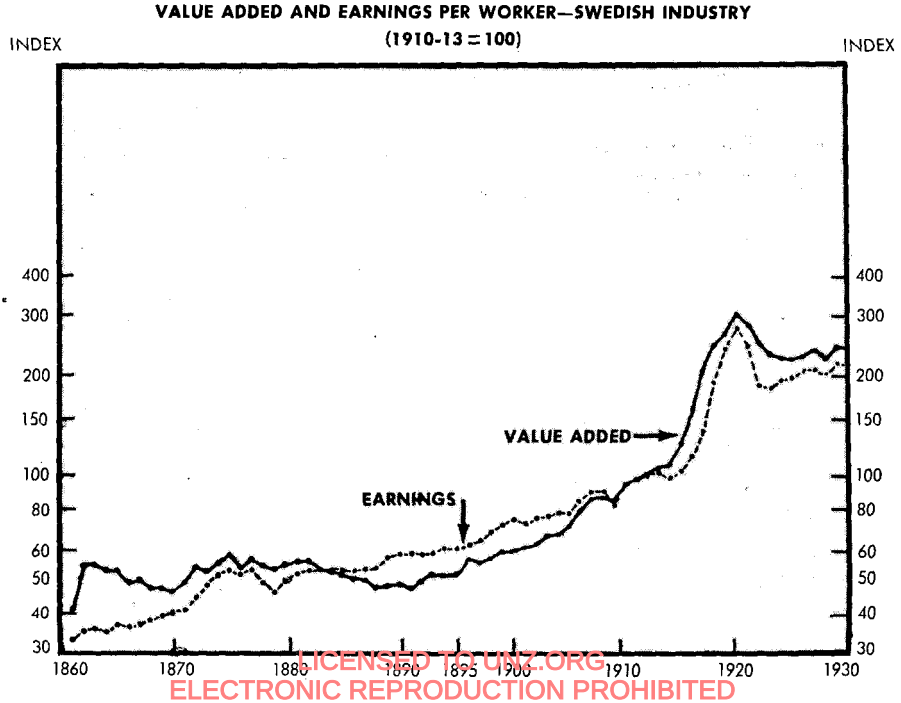
"On the other hand, the trend of the wages agrees approximately with the changes in productivity. In other words, wages have developed approximately as if the basis were purely piecework pay at unchanged rates."*

That wages in Sweden, as in the United States, have developed fairly parallel with productivity, i.e., production per employed person, is clearly shown in the diagram.

*Svennilson, Ingvar. *Wages in Sweden, 1860-1930*, Part Two. Stockholm Economic Studies of Stockholm University. English version published by London: P. S. King & Son, Ltd., 1935. p. 253.

The Union Claims

In opposition to the above fact, the trade unions have asserted that the wage increases had the effect of a whip on the backs of the employers which forced them to mechanize and modernize faster than they would have done without the increases in wages. In other words, through forcing up wages, the trade unions have been



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able to stimulate production and progress. Such a claim, however, does not fit in with the facts.

For a long period industry has been dominant in our economic life, and the rise in industrial output has been the strongest force behind our progress. Even if our means of measuring the tempo of the increase are imperfect, the available statistics would indicate that the tempo was faster before World War I and between the two wars than it has been since 1945. This shows that the tempo of the increase slowed instead of accelerated while the trade union movement was growing ever stronger.

The trade unions are, however, free to assert that they have influenced the distribution of what has been produced in favor of the wage earners, in other words, that the latter have gotten a bigger slice of the income cake than they would have received had there been no trade unions. Here they could point to the ratio of property incomes to the total national income, which from the beginning of this century to the end of the thirties sank from about one-third to one-sixth in our country with the share going to the working class increasing proportionately. Experience from other countries indicates that this altered distribution is a natural consequence of progressing industrialization. But even so, this degree of change in the distribution of incomes is of little importance compared with the increase in productivity. Increasing productivity has yielded as much for the worker in five or six years as the entire shift of income from owners to wage earners amounted to over a period of forty years.

The worst of it is, however, that the change in the distribution of income to the advantage of the wage earners as against the owners may have had a very adverse effect on their welfare. To the extent that it caused a decrease in saving – and such an alteration normally has this result in spite of compulsory saving – it means reduced investment, slower progress, and lower real wages. It means a lower standard of living than an unaltered distribution of income would have given.

The groups of workers in our country that have gotten the relatively highest increases in wages during the last fifteen years – domestic servants, agricultural and forestry workers – have been the least organized of the occupational groups.

Wages Are a Price

Lastly, wages are a price and, like all other prices, are determined in the long run by the mar-

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ket situation of supply and demand. According to a prevalent idea, however, the trade unions, similar to other strong cartel organizations, have great possibilities of price-fixing, that is, can force wages higher than the market situation warrants. Even if the trade unions have such power, it is generally much less effective than is commonly believed.

It is obvious that to blame the trade unions for having forced up wages unduly, that is to say, over the "natural" level conditioned by the market situation, is wrong. Wages are a price. If a price is fixed above the market level, the result will be difficulties in selling and a surplus of the product. If wages are set too high, the result will be a superfluity of labor, i.e., unemployment.

During the postwar period the situation has been one of a shortage of labor – overemployment. In spite of the alleged forcing up of wages by the trade unions, the wage level has clearly been below rather than above the market level. That would seem definitely to refute all claims of the ability of the trade unions to force up wages at their own pleasure and independently of the state of the market. The assertion is just as unreasonable as to say that a manufacturer can raise the price of his products more or less at will. Every businessman knows that there is a limit to both price and wage increases. If that limit is passed, it will inexorably go badly for the business. It is the advancing inflation – from wholly different causes, as we shall soon see – that has created these conditions.

Trade Unions and Inflation

The trade union myth regarding their power to force wages above the proper level in the market has recently brought its own revenge. We have gotten from these claims a "wage inflation theory," according to which the foremost cause of inflation is that trade unions "force wages up at the bargaining table." Much hard criticism – in certain cases even from Social Democratic quarters – has been directed against the trade union movement, and there have been continuous warnings of the need for restraint in wage demands.

Axel Strand, Chairman of the Swedish Confederation of Trade Unions, spoke as follows against the wage inflation theory in the 1955 report of the proceedings of the First House of the Swedish Parliament:

> Even government departments appear to have been caught by the systematic propaganda that inflation comes from a bacillus or a virus which finds its actual nourishment

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and possibility of development in the insatiableness of the workers. . . . Do not be too sure in drawing the conclusion that inflation arises from the workers' demands for improvements in wages, a conclusion that is accepted as gospel by large sections of our people. There is much to show that the workers' demands are nothing more than a reflex of what has already happened in the economic sphere, that is, that enterprises work to a great degree with profit margins that are themselves inflationary. ...To demand in such circumstances, and to make reference to the balance of our economy in so doing, that the leaders of the trade union movement should make an appeal for restraint to the workers is unreasonable.

In our view Strand is quite right on one point: the wage earners' demands are nothing more than a reflection of the situation within industry and society as a whole. But he is wrong when he tries to cast the inflation responsibility on the employers and their profits. They too can rightly reply that their profits are nothing but a reflection of the situation within society and business life.

Inflation Follows War

If one studies the history of inflation, he finds that it follows war like a shadow. During wartime the economic activity of the state expands enormously, and by means of printing more bank notes the state is able to requisition a large part of the country's resources for carrying on war or for rearmament. The extraordinary increase in purchasing power forces up prices and wages which in turn creates a boom with big profits and full employment.

While the state after previous periods of war normally ceased its requisitioning of the resources of society – resulting in a stabilizing of the value of money – after the close of World War II, it continued a policy of expansion, the same as during the war years. The reduced cost of defense has been more than offset by other expenses, especially for so-called welfare schemes.

This "wartime economy in peace" has had exactly the same consequences as the earlier war economy: the demand for goods and services has steadily tended to exceed the supply. Business has enjoyed a boom with big profits which led businessmen to outbid one another for both manpower and goods. Raising wages and prices have been the consequence.

Another cause of inflation during the postwar period was the state's policy of holding interest levels low and giving tax allowance for interest paid, while the value of money declined, so that borrowers in reality paid nothing

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at all for their loans, and those who saved got no real compensation for their contributions.

Wage increases are, in our view, exactly like any other price increases, symptoms of more profound changes in the state's economic policy. Wage earners can seldom obtain for themselves more money than is represented by their contribution to production.

The State and Counterfeiters

We have been able to find only two categories in society which understand the art of "creating money" without producing: the state and counterfeiters. The activity of the latter is, however, of very modest proportions, which cannot be said of the state's.

Instead of the wage inflation theory, the above analysis would substitute a *state inflation theory*. According to this theory, the various stages in the inflation illness are as follows:

1. The state's policy of economic expansion results in an increase in the total purchasing power in relation to supplies of goods and services.

2. The increased purchasing power leaves room for higher profits in undertakings, higher wages for workers, and higher prices for goods.

Higher profits, higher wages, and higher prices are therefore the consequences – the symptoms – of the state policy.

Those who want to describe inflation according to its symptoms can choose between three different theories, all equally fallacious: the profit inflation theory, the wage inflation theory, and the price inflation theory. Which of these theories one chooses usually depends upon one's place in society. If one belongs to the wage-earning group, he prefers the price or profit inflation theory. If he belongs to the employers' group, he gladly accepts the wage inflation theory.

If the wage inflation theory were correct, the prevention of inflation would seem hopeless. Employers bid against one another to push wages up. To try to prevent employers from raising wages is unthinkable in a democratic state. On the contrary, it is very much in their interest to raise wages, so that they can get the necessary labor in competition with other employers. In a wage-earning society such as ours, one cannot put an employer in prison for doing something so popular as paying good wages.

It is highly regrettable that so many employers now deem it their patriotic duty, considering the social and economic balance, to try with all their means to prevent rises in wages. When they are

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nevertheless forced to raise wages, they do it with a bad conscience, instead of gladly, as they should.

The Comedy at the Bargaining Table

There is nothing so practical as a good theory, said a wise man. One can alter the sentence and affirm that there is nothing so impractical as a false theory. In our opinion the very popular wage inflation theory is false. It draws suspicion away from the real villain in the inflation drama and makes us point our guns in the wrong direction.

During the sixteenth and seventeenth centuries the "commedia dell' arte," an Italian form of drama, was very much in fashion in our part of the world. Characteristic of this drama were such standardized roles as the deceived and ludicrous husband, Pajazzo; the cunning servant, Harlequin; the comic fat man, Pulcinella; the blustering soldier, Il Capitano; the coquettish young woman, Colombine.

The annually recurrent comedy around the bargaining table, where employers and employed play the main parts, reminds one of the "commedia dell' arte." The employers always play the part of the villain in the piece by appearing to oppose with all their might the workers' demands for wage increases. The trade union representatives, on the other side of the table, just as consistently play the hero's role by indefatigably fighting for higher wages and thus a higher standard of living.

In spite of the annual comedy, everything shows that it is actually the competition on the labor market that decides the wage level. If negotiations with the trade unions were discontinued entirely, employers still would be forced by competition with other employers to pay about the same wages as they now do. Why is it that, in such circumstances, the employers agree to take part in the annual comedy around the bargaining table and, in front of the whole country, play the part of villains – reactionaries who are trying to put the brake on progress?

An employer who was also a negotiator once described as follows the negotiations he had just concluded: "The demand for increased wages that the workers' representatives in the negotiations presented us with at the beginning were so moderate considering the good economic situation that we actually wanted to accept it without more ado. But such a course of action on our part would have been against the rules of the game. It would have made our opponents' representatives lose face before their members and be disgraced for not having been sen-

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sible enough to ask for a sufficiently large increase. They would never have forgiven us such a breach of the rules.

"Anyhow, we loyally followed the rules of the game, that is to say, we labeled their suggestion as completely unreasonable and ruinous. After days and weeks of hard tussle, finished off in due order with all-night sessions, we finally succeeded in haggling a little. The trade union negotiators could return to their members and describe their pitiless and tireless fight night and day. They could take all the credit for the rise in wages – and the increase in the standard of living – which had resulted. It was not enough that we consented to stand in the pillory before the whole country as the villains in the drama; we also lost in the final agreement, as it resulted in a lower wage than we were actually willing to pay. In spite of trying to put right the mistake by individual wage increases over the level of the agreement, we had great difficulty in getting the necessary labor.

"Why do we take part in this apparently silly comedy? Well, that question is very hard to answer. Firstly, we are following the old established rules of conduct, and also it is very important for us to have good relations with the trade union leaders. Today we need in a high degree their cooperation and loyalty, and the price we pay for that is to play a villain's role. This is just a hypothesis, and I hope our social scientists and sociologists will tackle the study and analysis of this strange comedy around the bargaining table."

It was undeniably an interesting insight given by this employer into an otherwise blacked out, if not tabooed, domain. His account could be completed by a reference to the great social survey, *Man in the Industrial Society* by T. S. Segerstedt and A. Lundquist (Stockholm 1955). When the persons interviewed were asked what they thought was the basic cause of the improvement in the workers' conditions during the last 40 to 50 years, by far the most general answer was: the trade union movement (44 per cent). Next came the answer: the workers' political movements (23 per cent). Only 8 per cent gave the answer: technical progress. It is clear that the trade unions have succeeded very well in their application of the old "commedia dell' arte."

The Trade Unions and Leisure

As in the U.S.A., the Swedish trade union and labor leaders claim that the shorter working week is largely their achievement.

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Let us examine this assertion a little more closely.

Judging from the available surveys,* the average working week for industrial workers gradually sank from about 70 hours in 1860 to about 65 in 1880. During that period both the trade union and the political labor movement were practically nonexistent. During the next twenty-year period, 1880-1900, the working week was further reduced to about 60 hours. During this period the workers' movement grew in significance, but was still comparatively weak. During the next twenty-year period, 1900-1920, the labor movement gained power rapidly, but the decrease in hours of work continued at about the same pace, the working week sinking to about 55 hours.

In 1920, however, the "natural" development was interrupted. The labor movement, with the help of liberal groups, forced through a law on hours of work, which at one blow reduced the working week in industry to 48 hours.

While the earlier reductions between 1860 and 1920 from about 70 to 55 hours took place with something of the relentlessness of a natural law and quite independently of the contribution of the trade unions, the latter could justifiably claim a considerable part of the credit for the large reduction in 1920.

A "Natural" Development

Did the working week, in spite of the abrupt notch in the curve representing the graph of working hours, continue to sink in the same way as before?

The answer is no; the development practically stopped. In 1957, the working week in industry, with few exceptions, is still 48 hours. In other words, development ceased for 37 years. It is true that a law has recently been passed according to which the working week will be down to 45 in 1960, but that only means, in fact, that we will then have about the same working week as we apparently would have had with a free, "natural" development.

From the employers' viewpoint, it would seem to be a matter of indifference whether the employees take out their share of the continuously increasing production as higher wages or shorter hours. If the workers had taken up the demand for a 45-hour week before 1956, it is difficult to see what the employers could have had against the claim, on the assumption, of course, that the rise

*See, for example, *The Industrial Problem*, 1950, published by the Institute for Economic Research in Industry, and the *Official Investigation Concerning Shorter Hours of Work*, SOU, 1956:20.

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in wages would have been proportionately less.

An Interlude on Pensions

The same thing holds good regarding pensions for workers. A decent provision for workers in their old age is a matter that most employers certainly have very much at heart. If the employers could have had a say in the matter, it is very likely that they would have been willing to put aside a considerably larger part of the proceeds of industry for pensions for the workers — and a correspondingly smaller part for wages. A pension is rightly regarded as deferred pay. But as the workers have hitherto clearly preferred higher wages to larger pensions, the employers have given in on that point. From the purely economic aspect, it has not mattered much whether the employees accepted their share of the increased proceeds in the form of higher wages, higher pensions, or more leisure time. The employer was nevertheless made to stand in the corner and charged before the whole nation with being stubbornly opposed, not only to higher wages, but also to higher pensions, and more leisure time.

It is clear that the standard of living of the workers is decided by the productivity and their share in the proceeds of production. It is also clear that this share is decided by the competition of the employers for labor in the market.

The conclusion must be that the standard of living of the workers would be about the same even if there had been no trade union movement. The division between wages, leisure time, and pensions might have been different, but the total amount would by and large have been the same.

Dr. F. A. Harper's *Why Wages Rise*, now available as a 124-page book with tables, charts, and index, first appeared as a series of twelve articles in THE FREEMAN.

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HOW TO WORK *More* AND HAVE *Less*

FREDERIC BASTIAT (1801-1850)

DO YOU remember how Robinson Crusoe made a plank on his desert island? Since he had no saw, he used his axe to cut down a tree. Then he chopped the trunk of the tree, first on one side and then on the other, until he reduced it to the desired thickness. This plank cost him 15 days of labor. In addition, he dulled his axe and consumed much of his food supplies.

Now here is a footnote to that story that is not generally known. Just as Robinson was striking the first blow with his axe, he saw a plank thrown by the tide upon the seashore. His first impulse was to run and get it, but then he stopped and reasoned as follows:

If I get that plank, it will cost me only the time and trouble of going down to the water's edge and carrying it back up the cliff. But if I make a plank with my axe, I shall give myself 15 days of labor. In addition, I shall also dull my axe, which means that I shall have the job of sharpening it. Also, I shall have to replace the provisions that I consume during my labor. Now everybody knows that *labor is wealth*. So it is clear that I would be doing a disservice to myself if I accepted that free plank. I must make sure that I always have work to do. Now that I think of it, I can even make additional work for myself by going down and kicking that plank back into the sea!

Now you might think that Robinson's reasoning was absurd. Nevertheless, it is the same reasoning that is followed by every nation that uses tariffs and other restrictions against trade in an effort to make more jobs at home. The nation rejects the foreign plank that is offered in exchange for a little work, in order to insure more work by manufacturing its own plank at home. Such a nation even sees a gain in the labor of the customhouse officials – much like Robinson's decision to return to the sea the present it had given him.

If you think of a nation as a collective being, you can't find an atom of difference between the reasoning of the tariff advocates in real life and the reasoning of Robinson Crusoe in this fable.

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Translated by Dean Russell from *Selected Works of Frederic Bastiat*, Volume 1, Paris: Guillaumin, 1863. pp. 243-244.

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REGINALD JEBB

LABOR UNIONS

A careful student and reporter of the union movement in Britain offers some observations for those who would hold the British as a model for improved labor relations in the United States.

IN RECENT YEARS the power of the British labor unions has increased enormously. They have developed into a formidable pressure group which is fast losing its voluntary nature and, like all pressure groups, is using its power to benefit a section of the community at the expense of the nation as a whole. Nor is the benefit sought a real one, but something more like a bribe to keep the organization intact.

Though the movement in Great Britain is not yet unified under a single control (the Trades Union Congress has only advisory powers), general policies are usually determined by the three or four biggest unions; and those policies not only go far beyond the competence of those that frame them, but also frequently do not coincide with the wishes of the rank and file. Indeed it can be said that their influence is becoming antisocial and antieconomic – a force encouraging continuance of the cleavage between labor and management and so a brake on production, used by the men that control them to consolidate their own new-found power.

In the years immediately following the war the majority of strikes were unofficial, that is to say, not backed by the union management. They arose from various causes, sometimes from disappointment of exaggerated hopes about postwar conditions, sometimes from disruptive propaganda, sometimes from disinclinations to work after the strain of war, and not infrequently through interunion rivalries. Union officials at that time found themselves in a difficult position because a Labor government was in power, which they supported and in which many of them participated.

But since 1950 the situation has been different. Under a Conservative government the union bosses had no such inhibitions, and they headed straight for personal power. This they sought in various ways, partly by putting for-

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AND LIBERTY

ward, with the threat of a strike, annual claims for increases in pay, and partly by tightening control over their members. The annual wage claims, irrespective of any increase in production and regardless of the inflationary effect of such action, were in many cases no more than a bid for popularity among members. The attempt to impose a "closed shop" on the movement was not only calculated to increase their bargaining power with employers, but also to give the bosses almost despotic power over all persons gaining a livelihood from industry.

It is the aim of the Trades Union Congress to get 100 per cent trade union organization of labor, and that means a universal "closed shop" or at all events a "union shop." The union shop would make membership in the union compulsory after the first few weeks of a man's employment. The closed

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shop would go further, insisting on the right of the union to be the sole agency for placing a man in employment, in other words the power to reject any recruit disapproved by the union and, of course, any worker who left it. That aim has not yet been successful except in isolated cases, but it is easy to see that, were it to succeed, the union claim that it fights for the rights of the wage earner would be blown sky high, for the latter would cease to be free agents and might be deprived of the right to practice their trade anywhere in the country.

A Struggle for Power

But though the closed shop is very far from being universal yet, the position is bad enough. Take a single instance (there have been hundreds of a similar kind) from the recent bus strike that caused innumerable hardships to the public. One of the bus conductors who opposed the strike did not report for work when the strike was called through fear of the consequences. However, he refused to act as a picket to prevent others from working if they wished. When the strike was settled, his fellow workers refused to return to their jobs as long as this man continued to be employed. He was called a black-leg and ostracized. Majority rule? If so, it was an al-

together excessive use of majority rights; but, individual freedom does not fit in with consolidation of the union executive's power.

This power, though so jealously guarded and extended wherever possible, is by no means secure. In order to get the funds necessary for a strong organization and for strike pay when needed, the unions have to attract as many members as possible and ensure their support. That means delegation of authority to leaders on the shop floor, known as shop stewards, whose duty it is to instill into all workers the approved propaganda. Unfortunately the communists and near-communists have seized their opportunity and secured many of these posts. The result is that subversive communist propaganda is often substituted for that of the big bosses, and that the power of the shop stewards tends to supplant that of their superiors. A good instance of this occurred in the recent dispute at Brigg's Motor Bodies, where it became clear at a Court of Enquiry that the shop stewards had got complete control into their own hands, disregarding orders from above, running their own magazine, and extracting money from the workers to finance their self-appointed activities.

That is one weak link in the chain of union power – divided

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authority and the threat of communist subversion. Another is inter-union rivalry. A strike at the Liverpool docks last year had as its sole cause the friction between two unions over an alleged illegal transference of men from one union to another. On another occasion shipbuilding was held up for months owing to a quarrel between unions representing metal workers and joiners as to which should carry out a particular job.

Threat to Freedom

But neither of these difficulties confronting the union bosses is going to lessen the danger threatening the community and individual workers. That danger is a loss of freedom. A shift of power to the communist elements in industry would make things worse than they are, and the only result of a war between unions would be that the larger ones would absorb the smaller and a greater effort than ever would be made towards concentration of power. The threat to freedom would remain and become intensified, and it is a serious one. It undermines an employer's right to hire or dismiss a man, and prevents the production increases that could lead to lower prices. It keeps an iron hold on union members through their fear of being ejected from the union and losing all chance for employment. Nor does the general public escape its tyranny. They are the victims of strikes and unreasonable wage claims through interference with their work and a continual rise in prices.

The situation is a tragic one. A movement that started with the intention of championing the freedom of its members is using the power it has won to curtail freedom everywhere. Instead of building up the strength of the industry to which it is attached, it is weakening it. The fact is that trade unionism in its present form is out of date – a drag on the country's economy and a threat to the liberty of its members. In spite of the influence it wields, there are signs that it will either have to change its character or cease to exist. For even if it achieves its aim of universalizing the closed shop and extending its control over every industry in the country, the result would be a State within a State – an irresponsible authority that no government could tolerate for long.

Internal Weaknesses

But its chances of success in this final bid for power are vitiated by the very methods it adopts. One of the most prevalent practices in trade unionism is insistence on all kinds of restrictions on the nature and amount of work

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FREE MEDICINE *Can make you Sick*

CHARLES G. JONES, M. D.

AMONG the socialistic wedges being driven into the heart of our openly competitive society is government controlled medicine. Its advocates describe it in glowing colors. "It is the moral obligation of a civilized nation," they maintain, "to care for the indigent, aged, infirm, physically handicapped, and mentally ill." They talk as if only the State could discharge this obligation. In my belief, government medical care unwittingly prolongs the suffering of those already ill, and even causes illness to develop.

A widespread public complacency reflects lack of serious thought as to the possible consequences of socialized medicine in the United States. Many are lulled by a false sense of security because they hear so much about the benefits and so little, if anything, about the costs – the price to be paid. Experiences from other countries which have tried socialized medicine are depressing and alarming and ought to guide us away from similar mistakes.

One of the most glaring facts is that government medical care invariably costs more than had been expected. During the first four years of socialized medicine in Great Britain, the demands for free service and for costly though often unnecessary medically related items resulted in trebling the yearly budget. The taxpayer – who still has to foot the bill – had his annual tax burden increased by 12 per cent. This on top of already heavy taxes makes the system almost prohibitive.

The deleterious effects of the system are to be noted everywhere. There are so many free dental patients that dentists no longer have time for their customary work with school children. Obviously, this condition need persist for very few years to affect seriously the dental health of the king-

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dom. Waiting lists for admission to hospitals become staggering. The increased volume of patients invites second-rate care for many instead of first-rate care for the truly ill. The burdensome cost of caring for those who are ill, plus those who pretend, leaves no funds for research or preventive medicine. Along with these and other details of administration, there is the problem of selecting from the long lists the patient who needs immediate or emergency care. The system not only involves huge cost, but it also constitutes a menace rather than a means to health. In other words, "You cannot buy good health."

The Voluntary Way

Even though the American system is still voluntary, in that hospital and health insurance can be selected at will, some of these evils are beginning to make themselves known in an insidious way. If our health insurance were to become compulsory, it is easy to see how these defects might multiply and actually jeopardize the health of the nation.

A system of socialized medicine tends to weaken one's reasons for being well. A struggle for livelihood is no longer required. If a leg is broken, the State pays medical, hospital, and operation costs, and advances adequate funds for living until the bone is healed. But there is the rub. If a man suffers no material disadvantage from sickness, there is no material incentive for him to recover rapidly. But if loss of income goes with the broken leg, he will be anxious to have it heal so that he can get back to work as soon as possible. And doubly so, if he pays his own hospital and surgical bills. Doctors know that a broken leg heals very slowly in a Welfare State. And for the same reason, the recovery of most patients "protected financially" by insurance companies proceeds slowly and painfully.

Mrs. A and Mrs. B underwent operations for benign fibroid tumors of the uterus on the same day; they were in the same semi-private room, were about the same age, and had almost identical operative procedures. But from the very first postoperative day, any similarity between the two women ended abruptly. Mrs. A recovered rapidly and was eager to get home to her family and her work. Mrs. B seemed to revel in her long recovery because her husband had told her that the whole thing was covered by insurance and she should stay in the hospital as long as she wanted. "Don't let them send you home too soon," he said.

Mrs. A went home on her sixth postoperative day, which was routine for her operation; but Mrs. B

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complained and stayed four days longer, until she "was good and ready." Though her bill exceeded Mrs. A's by more than sixty dollars, the insurance company paid for all but a few extras.

A routine office visit one month later revealed that Mrs. A had been doing her house work and other chores for almost a week. Mrs. B was not able to climb stairs and had attempted no work beyond drying some dishes the previous day. The prolongation of her recovery, in my opinion, must be attributed to insurance coverage.

Recovery Postponed

There are many examples of comparative amputees, showing that the one obliged to pay his own bill and earn a living recovers faster and learns to use a prosthetic device earlier than the one who is waiting for an insurance settlement. This sort of thing happens far too often to be pure coincidence.

An individual can become ill by just imagining he is ill, or, he may be a malingerer from the very beginning. The psychiatrist will tell you that the incentive for either is the thought of increased recompense for being ill. At any rate such persons manage to bring misery upon themselves and to all about them.

Socialized medicine includes government care of the sick and support for the family as well. If this support amounts to approximately the same as the man can earn from his own daily labor, he is tempted to be sick continuously. The temptation would be the greatest for people in low income brackets, illness actually being preferable to good health. This may sound strange, but doctors can observe the fact in their daily practice. Many people want to be sick, or sicker than they actually are, because material advantages in the form of compensations and liability payments are involved.

In accident cases where the recovery period is unusually long, the question of insurance liability and possibly future litigation is likely to be present. When referring to the man who has been limping unnecessarily for several months, doctors sometimes jokingly say that John has nothing the matter with him that a prompt and substantial settlement wouldn't cure. But it occurs so often that it is less joke than reality. *Patients who are waiting eagerly and selfishly for the settlement of their claim recover slowly in spite of all treatment.* And usually their complete recovery coincides with the final settlement of the claim. It is easy to see why there are so many cases for the compensation lawyers, referees,

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and juries. Just imagine the job of sorting all of these malingerers from the real needy if socialized medicine were available!

The advocates of government in medicine point to our overcrowded hospitals as though they have in mind a solution for the problem. But the fact is that much overcrowding is traceable to increased voluntary insurance benefits, a situation that would only be aggravated if all beds were "free." The waiting lists for the hospitals of England and Germany are so long that many patients finally gain admittance only to have forgotten why they applied.

The hue and cry of overcrowded hospitals is a twisted statistic, for the beds are overburdened with people who are not really sick. The third party in the form of health insurance has entered the picture. But the present sad picture, with only part of our population voluntarily insured, would surely be magnified if health insurance coverage were made universal and compulsory.

Experience with socialized medicine shows hospitals so overcrowded that the situation becomes near impossible, doctors so overworked that their patients get less and less real treatment, the cost of drugs reaching astronomical figures, the total cost of the social system soaring, and the government calling for investigations. The doctors are accused of high-handed methods, the druggists are accused of charging too much for the pills, the people themselves are accused of being too sick. So finally, more and more there creeps into the picture police controls – "the last refuge of self-bankrupting, socialist planning."[1]

With the obvious increase in the number of insured persons who are demanding medical care and hospitalization, a "doctor shortage" becomes more or less inevitable. Doctors are overwhelmed with the demands of people who feel that their insurance is wasted if they don't use it. Minor and even imaginary ills demand immediate attention. If doctors could only confine their attention to patients who are really ill, the present quota of doctors should have ample time for leisure. If there were the same insurance coverage for plumbing services as for health and accidents, I am convinced that there would be a plumber shortage before the signatures were dry on the policies.

Socialized medicine tends to overwork and tire the doctors until they lose interest in the welfare of their patients and are no longer inspired by their original dedication to ideals. When this situation

[1]Palyi, Melchior, "How Sick Is Socialized Medicine?" in *The Freeman*, June 1952.

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arises, there may be some patients who never get to see their doctor and finally recover because they have no recourse. This leads some persons to ask, "If this condition persists, will not socialized medicine, at least in part, cure some of its own ills?" There may be some merit to this idea on the surface, but when we digest it, we find that it involves quite an expensive cure for people who would get well without help. At the same time, some would die for lack of treatment and others would suffer for lack of the medicine they need. So the self-correcting features of socialized medicine are really no excuse for its adoption. It should be remembered that under our present system, most patients may call one or more of several doctors in their community; but the "beneficiary" of socialized medicine waits for the doctor to whom he has been assigned.

Why Doctors Prefer Freedom

There are many reasons why doctors cry out against socialized medicine. First, as individuals, they abhor the regimentation which is inevitable under socialism. Second, they feel that initiative, research, and humane care of the ill will gradually be replaced by robot dispensing, complacency, and the treatment of a number rather than a human being. Third, they have always thought that giving inferior drugs to increase their profit, or performing less than their best because the pay was predetermined was beneath their professional dignity. All of these shortcomings exist in all of the presently functioning systems of socialized medicine.

If the loss of the hardy physical and mental attributes of the pioneer – to make of us weak and dependent wards of the State – is an incurable disease, then our fate is inevitable. If our youth are to be deprived of the incentive to dedicate their lives to the healing art, and devote their years to learning their profession, then our diseases will be treated by automatons and our health will deteriorate. If the important work of doctors, nurses, technicians, and allied skills is to be minimized and even denied by political charlatans, then these same youths will refuse to enter this noblest of professions except by edict. If we eventually accept all of these proven evils as a system of government and a way of life, then we can blame ourselves for inferior physical and mental health and weak protoplasm. To maintain our health and strength, we had best insist on our present high quality of training, zealous research, and devotion to the prevention and cure of diseases of body and of mind. • • •

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Popular CAUSES AND Unpopular EFFECTS

The Guaranty Survey

THERE is an old story about a perennially re-elected legislator who attributed his lifelong political success to the fact that he had never voted for a tax bill or against an appropriation bill. He had grasped the elementary fact that people dislike paying taxes but like to receive handouts. They enjoy getting something for nothing, in other words, and tend to vote for candidates who promise them opportunities to do so.

A quarter century ago most of the world's leading governments, sorely beset by the practical difficulties of economic depression and encouraged by the theoretical blessing of Lord Keynes and his disciples, adopted something like the old legislator's philosophy. They cast off the "snuffling orthodoxies and petty taboos" of classical economics and proceeded to give the people what they wanted.

The Popular Causes

Reduce taxes they emphatically did not, but they did the next best thing: they threw as much of the direct burden as possible upon business concerns and individuals in the higher income brackets, the easy targets, the financially vulnerable and politically defenseless minority. Then they distributed the proceeds under the names of numerous "social programs": farm subsidies, unemployment compen-

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sation, old-age benefits, public housing, and many others.

They sought to strengthen the bargaining position of labor unions in their dealings with employers. They more or less fully accepted responsibility for "full employment," that is, for keeping business prosperous, or at any rate active.

The keystones of the whole structure were easy money, free spending, and political regulation of various phases of the people's economic lives.

It would be unrealistic and unfair to suppose that these measures were inspired solely by demagogic considerations of political advantage. To some extent, they arose from genuinely good intentions. The economy was functioning badly. Human beings needed relief. Business recovery needed, or seemed to need, stimulation. Economic institutions that were rightly or wrongly blamed for the collapse appeared to require reform.

War Is Forever

The semicompulsive nature of the inflationary and regulatory measures of the depression years became even stronger during the war period. If the joint objectives of relief, recovery, and reform had seemed imperative before, winning the war was now even more so. Artificially easy money, huge Treasury deficits, and new forms of economic regimentation were accepted without protest.

Even when the war was over, the situation retained much of its emergency character. Large areas were physically devastated and economically prostrate. The wartime military alliance fell apart, and the "cold war" began. The economic future looked very obscure. Under such conditions, the return to economic orthodoxy, the relinquishment of emergency stimulants and controls, was rendered doubly difficult.

Moreover, men were tempted to ask, why should the emergency stimulants and controls be relinquished? Had not economic orthodoxy broken down in practice? Had it not been superseded by a new economics that made easy money, free spending, and political controls and regulations theoretically defensible? Who could quarrel with such manifestly desirable objectives as fair prices, adequate housing, full employment, high wages, and security and welfare for all? Why should not the people in their collective capacity, functioning through the State, endeavor to promote these objectives, substituting purposeful action for the "economic drift" of the prewar and predepression years?

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The Unpopular Effects

Experience is providing some answers. It is being discovered that good intentions are not enough. If good intentions are to accomplish anything, they must be translated into concrete economic measures, and such measures may or may not produce the intended effects. Even if they do, they are almost sure to produce unintended ones as well. Where some groups are benefited, others are hurt. Competition for productive efficiency tends to degenerate into a scramble for political favor. Government of, by, and for the people tends to become government of, by, and for pressure groups. The promise of cradle-to-grave security weakens economic incentive, tends to make men financially irresponsible and reduce them to the moral level of dependent children. Why should a man strain nerve and muscle to provide for himself, to keep his job, to lay something by for a "rainy day," to make provision for his old age, to protect his family from want, when a paternal state promises to do these things for him? Every personal financial misfortune, every source of dissatisfaction with one's economic lot, tends to become a grievance against the State.

Even worse, if possible, is the fact that governments, in their efforts to provide the "social services" demanded of them, are finding themselves under insupportable financial pressure. Taxpayers demand relief while pressure groups demand larger benefits. Despite intermittent campaigns of retrenchment, national budgets rise inexorably to new heights. In some countries, taxpayers simply refuse to bear the burden, and deficits mount. In some, a temporary expedient is found in exorbitant drafts on reserves of foreign exchange. In still others, a precarious fiscal equilibrium is maintained by postponing promised tax relief. Almost everywhere, the purchasing power of money declines with varying degrees of speed and regularity.

To accelerate the inflationary process, the labor unions whose growth governments have fostered demand higher wages under pain of strikes on such a scale as to cripple whole economies. The wage demands and strike threats increase with every rise in the cost of living; and when the wage demands are granted, the cost of living rises again. And to make effective resistance more difficult, restrictive credit policies can be invoked only at the risk of precipitating business recession and thus colliding with the "full-employment commitment," perhaps the most cherished of all the "social programs" welfare states espouse.

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Intentions and Consequences

When the United States government undertook to determine what were "fair" prices for farm products and to insure that such prices were actually received by farmers, the unintended effects were overproduction, underconsumption, the loss of foreign markets, the use of substitutes, the accumulation of surpluses, a governmental "dumping" program that involved heavy losses and aroused foreign resentment, and a level of farm prices that was certainly unsatisfactory to farmers and probably lower than would have prevailed in free markets.

When the government tried to protect tenants against high housing costs by retaining rent controls after the war, the unintended effects were that new building and even normal maintenance were discouraged, the housing shortage was prolonged, and people were obliged for years to live in antiquated structures.

When the government intervened in the interests of "adequate" housing, the construction industry and its suppliers were overloaded, building costs rose to unprecedented heights, and it became virtually impossible to provide housing for low-income families except by outright subsidies.

When the government decided that the unionization of workers should be encouraged and protected by law, it initiated the growth of a colossus that rigidified costs, encouraged layoffs, produced the national-emergency strike, forced the government into the position of virtual arbitrator, and served as the most powerful engine of inflation in the economy. Almost the only thing it did not do is what it was presumably intended to do, namely, cause real wages to rise faster than productivity.

When our own and other governments assumed or accepted the responsibility of protecting the people against the risks of unemployment, disability, old age, and other hazards, they built into their economies an inflationary bias against which they are still striving, in most cases with very indifferent success, and which, unless arrested, must eventually bring hardship rather than welfare, insecurity rather than security, to the intended beneficiaries.

Bitter Medicine

Thus the popular causes that governments espoused a generation ago are having some highly unpopular effects. One of the most unpopular, and rightly unpopular, is inflation, because inflation nullifies the security and welfare at which the popular causes are

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aimed. In resisting inflation, however, governments are finding themselves forced to take measures which run counter to the popular causes and which are nearly or quite as unpopular as the inflation itself.

In Great Britain and the United States, monetary authorities seem determined to effect price stabilization, even at the risk of some sacrifice of the "full-employment commitment." This policy, however, is arousing strong opposition, and the political repercussions that might occur in the event of a substantial business downturn are not pleasant to contemplate. In France, government after government has tried to meet the demand for price stabilization, only to fall because its proposed stabilizing devices were politically unacceptable. Conditions in other countries show similar variations, but almost everywhere the same dilemma, the same necessity of choosing between irreconcilable objectives, is being experienced in one form or another.

The basic difficulty is that, although inflation is unpopular, the causes that are producing it remain popular. Men still cling to the belief that governmental authority and governmental largess can somehow bring them economic benefits that free private enterprise cannot bring them. The dilemma will be resolved only when the people realize that true economic progress can come only from higher productivity, and that higher productivity can come only from saving, investment, and invention which are achieved by individual effort in an environment of freedom and incentive. This progress takes time, but there is no substitute for it. Attempts to hasten it by means of artificially easy money, extravagant spending, and political intervention in economic affairs only produce industrial and monetary disorder, which at best retards progress and at worst can stop it altogether.

• • •

From The Guaranty Survey, *November 1957. Albert C. Wilcox, editor*

IDEAS ON LIBERTY

While Men Sleep

SO LONG as the people do not care to exercise their freedom, those who wish to tyrannize will do so; for tyrants are active and ardent, and will devote themselves in the name of any number of gods, religious and otherwise, to put shackles upon sleeping men.

VOLTAIRINE DE CLEYRE

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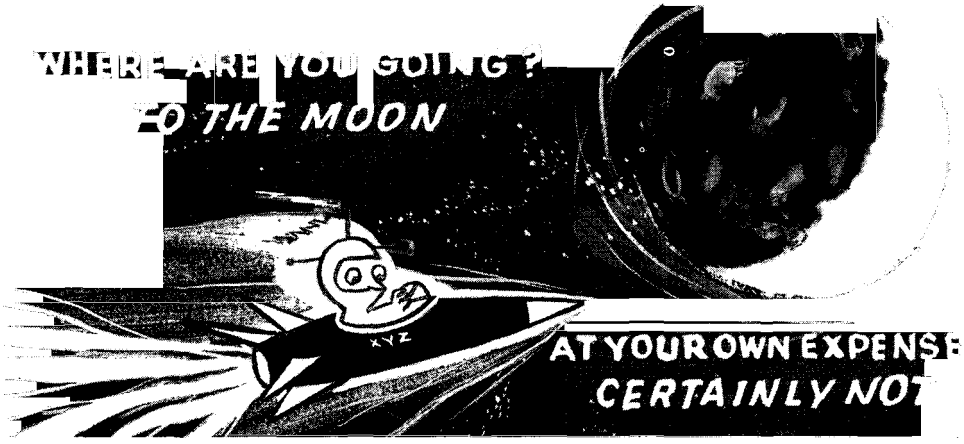

TO THE MOON

PAUL L. POIROT

If they have a Sputnik and our side has none,
And this be the measure, which method has won,
Let him who counts this a great blow to his pride
Pack up and join hands with the opposite side.

May those who insist that this life is a race,
To beat all the others in conquering space,
Be free and unhampered to do of their best;
But why, for their purpose, should they tax the rest?

Why is it that everyone must play the game
By rule of that tyrant – majority aim?
If man can't be trusted to master his fate,
What magic can save him as slave to the State?

Some persons have chosen as their highest goal,
A search for the meaning within each man's soul;
And constantly strive so to live and to move,
Themselves to control – thus, the world to improve.

Not all men insist upon showing their might,
Among us are some who prefer to do right.
And each, in the network of human events,
Must follow his pathway to its consequence.

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Renaissance IN RESPONSIBILITY

VOLLIE TRIPP

THERE ARE several ways of dealing with financial problems – learning to create more, learning to live on less, ganging up on the well-to-do.

Aside from the moral aspects, the last method is the least satisfactory way of all. In the first place, if all the money and property of the rich were taken and divided up equally among everyone, the difference it would make in anyone's fortunes would be minimal. It is our guess that the "divider upper" might find himself fifty dollars better off. At best this bounty would solve his financial problems for only a few days.

Very soon he would find himself in real trouble, as people with brains, industry, and daring betook themselves off to some island retreat in the middle of the South Pacific.

Commerce would stagnate in a week. Chaos would ensue for want of intelligent decisions and sound direction of the worker's energies. In sheer desperation the people would call upon a dictator to bring a semblance of order to the mess. Once again they would have bread – and slavery.

Learning to live on less is a much better way to attack the personal financial problem, and many are doing it with considerable success. This involves simplification in many aspects of life, but demands no sacrifice of dignity or political freedom. Those who have been obliged to live on less not infrequently rediscover faculties for happiness within themselves, and within the great nature drama all around them.

Learning how to create more and have more is, of course, the best way of all. Wealth, honestly earned and wisely used, is the greatest of blessings. Not only does wealth enable a person to live on a higher economic, intellectual, and social plane, but it vastly increases a person's usefulness to

Mr. Tripp, retired from the building business, now devotes full time to travel, writing, and promotion of free enterprise.

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humanity at large. So everyone should consider it a duty to succeed, in a material sense, to the best of his abilities.

But how can we go about the business of creating more wealth, or more bluntly, making more money? Is there a formula, rule, or system?

Obviously it is not possible for all to get rich, or even near rich. In the first place, a surprising number of people have no desire to do so. But many millions of people, discontented with their lot, could greatly improve their fiscal position if they purposely set about to do it.

If disgruntled wage earners could be persuaded to attack their problem on a personal basis, instead of wistfully looking to government – including their own efforts at organized compulsion – to bail them out, many would find an answer, or a partial answer, to their dilemma.

Because Men Were Free

Success, financially, is not all a matter of brains, or even ability, though of course a good noodle is no drawback. More often than not success, and all it implies, is the reward of ordinary men willing to put forth extraordinary effort. In this game, persistence is better than pulsating genius.

perous, and respected because, until a few years ago, the principle of personal responsibility and accountability had near universal acceptance. Our high production and high living standards were not achieved by government, but rather because there had been so little government. The progress of the past 25 years – there has been some – has been won in spite of government. But the tremendous advances during the first 150 years of our history were possible because, for the first time in his long career, man found himself free. He was free to grow, develop, expand, experiment, create, and keep the rewards of his creation.

It is true he often pooled his efforts with others, but this did not dull his concept of himself as a free and responsible agent, who must, in the long run, solve his own problems if he were to keep his hard-won freedoms.

This was a brand new idea in government, and it sprang from a brand new idea of man himself. It was an idealistic and Christian concept of humanity such as had not been known in recorded history. But, above all, it was a practical philosophy, too. It worked. It squared with man's universal quest and hope for happiness, and belief in himself. But in the course of time it became an old idea, or

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move in this new America. Sooner or later this idea, this new concept, had to collide with the worshipers of all things new.

Of course there is nothing new about slavery. There is nothing new about a system which makes the individual a total subject of the State, takes away his freedoms, prerogatives, responsibilities, along with his problems, and places his fate at the pleasure of others. But it was a new idea in America, anyway, and, ergo, it must be good.

This division of responsibility was fully upheld and extolled in the schools, with more and more emphasis on "team work," "working with the group," and similar slogans, less and less stress on individual effort and the expression of the individual personality. And all too soon that same individual came to see his problems less and less as personal challenges, but as something others ought to resolve for him. By "others" he meant the "guv'mint." Who else?

"Give Us Security"

Now a peculiar thing happened. Just as soon as Mr. and Mrs. American Citizen placed their security, and their financial problems, in the hands of others, meaning the State, they began to feel insecure. And the more insecure they felt, the louder they yelled to government to make them secure.

I am reminded of an Indian whose wagon tongue was much too short for his team. "I cut him off and cut him off. Still he too short," complained the Redman.

Perhaps, in an abstract sort of way, both the Indian and the folks under discussion are right. Maybe it *ought* to be possible to make a thing longer by cutting it off. Maybe government *ought* to work these things out for us, give us security, good health, happiness, achievement, even a pleasing personality. Perhaps if we could find a couple of million people with the brains of a genius and the morals of a saint, and give them all power, they *could* do it. But where are we to find so many nice, profound folks?

I don't think we're likely to find them under a system that worships mediocrity and glorifies "the common man."

As government grows bigger and assumes more and more of the citizen's prerogatives, it must seek more and more personnel from an ever dwindling supply of eligible material. More and more people with no basic fitness or training in the exacting business of government must be taken on the payrolls. So we may as well get reconciled to the fact that big government will always be, and by its very nature must be, inefficient,

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corrupt, arbitrary, irresponsible, and often just plain stupid.

Looking to this kind of a government for security in our old age, for the solution to all sorts of personal, social, and economic problems is a most grave mistake, I believe. I realize some problems are difficult, perhaps a few insoluble by the individual, working alone by himself. In such cases he should have help, and no odium should attach to that help. But the help should be of a kind calculated to restore him to usefulness and self-respect. This is not only the best kind of help; it is the only real and permanent help. Certainly most problems can best be solved by the individual himself, if he were permitted and once more encouraged to do so.

He cannot solve his financial problem so long as government taxes away from 20 to 91 per cent of his earnings. But even with income taxes at near confiscatory levels it is still possible, for those who need to do so most, to greatly improve their fiscal status by dealing with the problem on a personal basis.

Probably the most insidious thing about looking to others for the solution to problems and difficulties is that we could, in time, lose all power to do for ourselves, like the gulls of St. Augustine when the shrimp boats moved away. Nature abhors a useless appendage or an unused faculty. As we look more and more to government, to "society," for answers to problems which affect us personally, we become ever less able to cope with them, and require more and more outside help. This could lead to a "chain reaction" of fatal scope, more and more needing help, fewer and fewer to do the helping.

Education Needed

However, powerful forces are at last at work to rekindle the concept of individual responsibility, reward, and personal freedom, which blazed brightly on this continent as man proclaimed the strange doctrine that "that government governs best which governs least." And that government was made to serve man, rather than the other way 'round.

The most difficult part will be to "sell" freedom to millions of young people who have never known freedom, and to prove to them that the only real, permanent, lasting security is that which the individual can create for himself, acting as a free and accountable human being.

People never miss what they have never known. Millions of young people have never known what it means to be able to start and operate a business without a

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their members are to do in return for a full day's pay. Besides whittling away the actual time given to work by prolonged intervals for rest, go slow tactics, and time off for preparation to quit work, the union authorities see to it that the allocation of work to be done in a day – such as the number of bricks to be laid or the amount of coal to be cut in a mine – is much smaller than what an average man can do in the time. Anything done beyond that limit has to be paid for at overtime rates. A good bricklayer can lay about 1,200 bricks in a day. His allocation is 400. Similarly, a miner can finish his allotted "stint" in half the time he is supposed to work at it.

Naturally this waste in the potential of production hits the owners of industrial firms; and as a countermove, a number of small businesses are employing non-union labor and finding that it is to their advantage to pay higher wages. They have also discovered that men who are free from restrictions and not pinned down to a single kind of task escape the feeling of antagonism and frustration too common in unionized firms.

There remains the problem of the traditional loyalty of members to their union. This is in itself an admirable quality, but it is losing its spontaneity and is becoming an instrument of vengeance rather than a principle of unity. The man who asserts his right to carry on with his job when a strike has been called is subjected to inhuman treatment. His fellow workers refuse to speak to him and do everything to make his life intolerable. Yet, when it comes to loyalty to the movement as a whole, solidarity breaks down. At the present time there is a fierce war between the Transport and General Workers Union (the biggest of them all) and the National Amalgamated Stevedores and Dockers, both of which have dockers working at the Port of Liverpool. The NASD complain that a TGWU man has been giving certain work instead of a member of the stevedore's union who, they claim, is senior to him. The TGWU report that they will refuse to work with anyone who is not a member of their union. That can hardly be called loyalty to trade union principle.

The fact is that the frustrations of the workers, where they exist, are not being remedied by the unions. Rifts are appearing in a solidarity maintained more by a narrow self-interest than by a desire for justice.

The unions have outlived any usefulness they might have had. They are becoming a menace to liberty. • • •

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corps of lawyers at their elbows, and to keep what the business made. Millions of young farmers have never known what it means to be free to plant crops of their choosing, as much as they choose, to sell to the highest bidder. Few young people have ever held a gold piece in their hands, or known any incorruptible money. These, I submit, are formidable obstacles. But they are not insurmountable. What the people once lightly gave away, they can take back. But first there must be desire.

Personal Development

Serious inroads have already been made on our precious liberties and freedoms, yielded by us a bit at a time on a thousand fronts. But we have time – enough, if we will use it – to anchor those freedoms we still have and to regain some of those lost. Here, indeed, is one field where "group action" is loudly indicated. Here the most individualistic individual should find a common rallying ground, not to merge and submerge himself in the mass, but to guarantee his survival as a personality.

So we see that the fate and problems of the individual are badly mixed with the modern mishamed "liberalism" which rules today. But not hopelessly mixed. There are still avenues for escape, through a man's own efforts. His problem as an individual is part of an even bigger problem which he has, in most cases, blithely created for himself. He can best begin to set his own affairs in order when he is better informed of the problem in its total aspects.

I believe a renaissance of personal, individual responsibility and moral accountability is the thing most needed today. Someday we shall have to stop blaming "society" for our failures, stop blaming the other fellow when our personal affairs go haywire. Government can only solve one person's problem by adding to the problem of another. It cannot get at the root of your difficulty, or my trouble, never has, never will.

Vexing as our personal financial state may be, the only practical approach is still a personal one, using our resources and intelligence as best we can. While we may not have to do the job all alone, we had best assume we shall have to do so. Many people have achieved great things simply by depending on themselves and having faith in themselves. But no one has ever gotten very far by pursuing an opposite course. • • •

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The Preservation of Liberty

TOWNER PHELAN

IT IS of vital importance that the American people understand the nature of our epic struggle with the Soviet Union. It is likely to continue for generations. Its scope is world-wide. It is not limited to foreign affairs but includes our domestic institutions. Our objectives are twofold: first, to protect our national independence – our freedom from Soviet conquest; second and scarcely less important, to preserve the institutions of a free society. We shall not win that struggle if we become a totalitarian country even though we preserve our national independence.

The announced objective of the Soviet Union is world conquest. It has never been renounced but has been constantly reiterated.

Lenin outlined that objective clearly:

"As long as capitalism and socialism exist, we cannot live in peace: in the end, one or the other will triumph – a funeral dirge will be sung either over the Soviet Republic or over world capitalism."[1]

Khrushchev put Lenin's funeral dirge in slightly different language when, at a reception in Moscow, he told Western diplomats, "We shall bury you."

Lenin wrote: "Force alone can settle the great problems of political liberty and class struggle, and it is our business to prepare and organize this force."[2]

"The revolutionary dictatorship of the proletariat is power won and maintained *by violence* of the proletariat against the bourgeoisie, *power that is unrestricted by any laws.*"[3]

"Until the final issue is decided, the state of awful war will continue."[4]

Khrushchev in his report of the

[1]Lenin, V. I., *Selected Works.* Moscow: Corporative Publishing Society, 1935, Vol. VIII. p. 297. (Note: This and many other quotations from communist sources taken from *Struggle on a New Plane* by J. Edgar Hoover, Director of the F.B.I.)
[2]*Ibid.*, Vol. III, p. 54.
[3]*Ibid.*, Vol. VII, p. 123.
[4]*Ibid.*, Vol. IX, p. 242.

Mr. Phelan is a banker and a leading libertarian from St. Louis, Missouri.

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Central Committee Twentieth Congress of the Communist party of the Soviet Union, February 14, 1956, said:

"Today our party. . . is confidently leading the country along the path pointed out by the great Lenin."[5]

"Revolutionary theory is not a collection of petrified dogmas and formulas, but a militant guide to action in transforming the world, in building communism."[6]

Lenin explains why the smiles of the "Summit Conference" and talk of "peaceful coexistence" have been followed by the savagery of Hungary and the unrelenting struggle of the Soviet Union to take over the Middle East. He explains why the present Soviet tactics will in due time again be followed by a revival of the "popular front" tactics again to befuddle and entrap our gullible liberals. Lenin's explanation is expressed in these words:

"Without concessions we shall not be able to carry out our programme – concessions do not mean peace with capitalism but war on a new plane."[7]

Our struggle to prevent world conquest by the Soviet Union is not limited to the fields of diplomacy and war. It is fought on every level – it penetrates every institution of our society. A decade ago the Harvard economist, Sumner H. Slichter, wrote this about the United States:

"Its institutions are under attack. In fact the attack against them is the best organized and most carefully planned that has ever been launched against economic and political arrangements. It has its purpose of destroying these institutions and replacing them with very different ones."[8]

The Target and the Attack

The target for the organized attacks against our institutions is individual liberty – the immediate point of attack is directed against private property. This is true because the most effective way to destroy liberty is to do away with private property. Without private property every man would be a slave of the State. He would be a slave because he would depend upon the State for his livelihood. In 1950 Senator Paul H. Douglas, who is no conservative, wrote:

"Men will not be free . . . [if] the same group that controls jobs will control the government."[9]

He suggested that the then Brit-

[5] *Soviet News*, London, England, p. 79.
[6] *Ibid.*, p. 89.
[7] Lenin. *op. cit.*, Vol. VIII, p. 298.
[8] Slichter, Sumner H. *The American Economy*. New York: Alfred A. Knopf, Inc., 1948. p. 4.
[9] "Freedom and the Diffusion of Power" in *Proceedings of the Academy of Political Science*, May 1950. p. 125.

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ish Labor Government would *"use their power to crush...their political opponents"* if the Labor Government were to take over *all* British industry instead of the 20 per cent then nationalized.[10]

Capitalism is, by definition, private ownership and control of business. Its only alternative is State ownership and control of business. Under State ownership "one set of men" would control both "jobs" and "government." Senator Douglas says that, if this happens, "men will not be free." If all power is concentrated in the State, it is of no importance, in the long run, whether that State represents communism, fascism, British socialism, or Welfare Statism carried to its logical conclusion, or any other "ism." *The men who control such a State may start with the best intentions – but they will end as bloody tyrants. It is impossible to reject capitalism except in favor of its only alternative, the omnipotent State, under which man cannot be free and his dignity will not be respected.*

We quote from a statement of Jasper E. Crane to the National Council of Presbyterian Men:

"Liberty is the individual person's control of himself, his freedom of choice, his responsibility for his own actions. . . . Human rights include the ownership of property and the responsibility to manage it faithfully. This involves the private possession and management of tools, sometimes known as 'capitalism.' The denial of the right of ownership is the precise condition of bondage."[11]

Private Property Threatened

Private property is the only effective safeguard to individual liberty. The persistent and well-organized attacks upon private property and hence upon individual liberty are both domestic and world-wide. In the main they are carried on, at least in the United States, by noncommunists. They have wide-spread support in academic and church circles. For example, in 1948 the World Council of Churches meeting at Amsterdam adopted a report which said:

"The Christian Churches should reject the ideologies of both communism and laissez-faire capitalism."

This naive and unrealistic view equates Soviet slave labor camps and the brutal suppression of the Hungarian revolt with the right to own property which is the foundation of democracy and freedom. In rejecting capitalism it rejects the only kind of organization of society within which man can be free and his dignity respected –

[10] *Ibid.*, p. 124.

[11] "Christianity vs. Totalitarianism" in *Faith and Freedom*, May, 1950. p. 6.

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that is, a society in which the ownership and control of the instruments of production are in private hands.

In the United States the spearhead of the attack on private property is directed against privately owned electric power companies. The immediate objective of those who oppose the human right to own property is to create a governmental monopoly of the generation and distribution of electric power. Public power advocates are looking to the future and are bending every effort to have atomic power remain a 100 per cent government monopoly.

Regulation and Control

The ultimate objectives of the self-styled "liberals" go far beyond the socialization of the power and atomic energy industries. The goal is the eventual socialization of all large-scale industry.

A free society rests upon voluntary action – a totalitarian society upon direction of individual activity by the State. The efforts of those who call themselves liberals are unremittingly directed toward restricting the area of voluntary choice and voluntary action by the individual and increasing the area of governmentally directed activity. This can be accomplished either by government ownership and operation of business enterprise or by government regulation and control.

The Federal Power Commission's regulation of the price of natural gas at the wellhead is the opening wedge in an attempt to make the oil industry into a regulated public utility. If the price of gas is regulated at the wellhead, then it would be equally logical to regulate the price of coal at the mine. It would be equally logical to regulate the price of oil. Gas, coal, and oil are all used for home heating and for the generation of electric power. Heretofore, regulation has been limited to common carriers and to public utilities. Until the government reached out to regulate the price of gas at the wellhead, regulation had not been extended to cover the commodities that the carriers transport or the fuels public utility companies distribute or use to generate power.

Only during wartime has the public been willing to accept government rent, wage, and price controls. But liberal economists have consistently advocated large-scale government spending, deficit financing, and government created easy money – all of which generate inflation. Then they wish to attempt to control the consequences of planned inflation by permanent price and rent controls. When one of the first acts of the

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first Eisenhower Administration was to abolish rent and price controls, liberals filled the air with dire predictions that unrestrained inflation would follow. Instead, we had a period of relative price stability and unparalleled prosperity. The abolition of rent and price controls was accompanied by a lessening of inflationary pressure due to Eisenhower's multibillion dollar cut in the budget proposed by Truman.

Inflationary Pressures

Unfortunately, the budget is again so large as to generate inflationary pressures notwithstanding the fact that it is balanced. And the so-called "tight money" policies of the Federal Reserve authorities have not, as is popularly believed, cut the volume of credit outstanding – they have merely slowed down the rate of increase.

Formidable political and special interest pressures are building up to add fuel to the inflationary fires. Their purpose is to keep our inflationary boom going on an ever-increasing volume of credit. In a word, it is to promote inflation, which in turn may lead to the imposition of direct price, wage, and rent controls and the loss of individual liberty. There is also the danger that inflationary booms will sooner or later bring on a crash and a depression. They always have done so in the past.

The admitted inflationists including many legislators, the "liberals" who are constantly clamoring for bigger government spending programs, the public power lobby, the school lobby, the home-building industry which wants subsidized low interest mortgage credit, and the old-fashioned log-rolling political pork barrel are among the formidable forces exerted to promote further inflation and its ultimate consequences of direct controls – loss of liberty and a depression.

In the rest of the world "nationalization" of industry and natural resources, coupled with the rejection of basic principles, are undermining the right of private ownership of property upon which individual liberty depends. In the so-called undeveloped countries nationalization is a thinly veiled disguise for outright expropriation – that is, seizure without any compensation, or only a token payment, to the former owners.

Intervention Abroad

The doctrine is growing in foreign countries – particularly in undeveloped countries – that it is the duty of the United States and other advanced countries to supply investment capital on a continuing basis through outright govern-

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ment grants or loans that could not stand the scrutiny of ordinary standards of investment prudence – in a word, loans that are never intended to be repaid.

Whether or not such intergovernmental gifts promote international friendship and peace is a highly debatable question. But those who debate the question should know that any governmental foreign aid program tends to undermine the right to own private property. The government that gives a gift must first have taken private property from its own taxpayers. This is likewise true of any other government expenditure. Therefore, it is evident that the question of foreign aid is merely one segment of a broader question, namely: What limits should be placed on the amount of governmental expenditures and on the purposes for which such expenditures should be made?

The basic principles involved are easy to express – their exact application to a particular situation is far more difficult to determine. The basic principle is that governmental expenditures, and therefore governmental functions, should be strictly limited and the total "tax take" from our citizens should be the minimum amount necessary to carry on proper and necessary governmental functions. Obviously, aiding indigent nations is not a proper governmental function.

Furthermore, in the case of foreign aid, seldom, if ever, has the recipient government used such a gift to develop or defend private ownership of property within its borders. All too often the aid goes to countries which expropriate private property, as did Egypt with the Suez Canal and Mexico with the properties of foreign oil companies. It is of the utmost importance to recognize that liberty and freedom can exist only when the means of production are in private hands. Otherwise, all men would be slaves of the omnipotent State. • • •

IDEAS ON LIBERTY

Each Man's Duty

THE DEFECTS of every government and constitution both as to principle and form must be as open to discussion as the defects of a law, and it is the duty which every man owes to society to point them out.

THOMAS PAINE, *The Rights of Man*

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Shades of Hammurabi

ROBERT LEFEVRE

SENATOR Ralph W. Allhorn stood straight and tall in the vestibule as he held the door for his wife, Sarah, and her sister, Martha. He had the feeling of supreme accomplishment, a trace of which feeling pushed up the corners of his mouth as he stood there gallantly waiting for the ladies to precede him.

The dinner meeting held by the party had had a magnificent turnout. In his mind's eye he could still see the immaculate linen, the glittering goblets and silver, and the upturned faces of his fellow party members. It had been not only a victory dinner, in honor of the party's accomplishments during the past legislative season, but also, in essence, an opening salvo for the new campaign which would get underway in earnest within a few weeks. As the party's senior officeholder within the state, he had been the principal speaker.

His ears still thrummed pleasantly to the words of the chairman as he had been introduced. "Fellow Americans and loyal party workers: Tonight I have the great privilege and honor to bring you the man who . . ." The Senator glowed inwardly at the bountiful recognition that had poured from the lips of Steve Crain, attorney and head of the 34th assembly district. Steve had laid it on a little thick. But that was politics for you. And it wasn't that what he said was overdone. Steve simply had reference to his record in checking off some of the irridescent phrases: leader of patriots; emblem of statesmanship; prime mover for good government; lover

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of the common man; fearless champion of equal rights. Of course, when things like this were brought up in public, they always sounded a trifle garish. But, the Senator asked himself candidly, how could his achievements have been brought to the attention of the party without descriptive phrases which told the story?

Actually, Steve had chosen his words wisely and with economy. That was it. Economy of words. Clearly, concisely, Steve Crain had let it be known how much the party, the state itself, even the whole of the American people owed to the Senator's courageous efforts.

INSIDE the expansive and friendly drawing room of the Senator's home the two ladies were fluttering about, checking drapes and turning on lamps.

The Senator preened himself before the large mirror over the mantel of the fireplace, which was now aglow with flaming gas jets shedding their warmth and cheer. Gray at the temples, with large features rather craggy but lined with purpose, he well knew that some of his popularity could be traced directly to that rather rugged physiognomy with which nature had equipped him.

"Oh, Ralph, you were simply wonderful," sighed his wife coming over and standing proudly beside him. "Don't you think so, Martha?"

"Indeed, I do." Martha was most emphatic. "In fact, I just don't see how the other party can accomplish a thing with you doing such an outstanding job."

The Senator smirked a bit. "Well, quite candidly, Martha, they don't seem to be doing too much in any case. But, of course, we can't say that their own failures to measure up can be traced to me."

This was surely an invitation, and Martha accepted it with good grace. "Don't belittle your own efforts, Ralph. You're good. You know you are. And the people should be grateful for the fight you have made all these years for them."

Into the drawing room now came the Senator's two children, Robert, 14, with horned-rimmed glasses and a studious expression, and Barbara, 12, pretty but with braces on her teeth and a provocative upturned nose generously freckled.

Barbara ran to her father and threw her arms around him in girlish joy. Robert, on the other hand, halted in the doorway and with a teenage show of dignity declared, "Greetings, pater. Hello, Mom and Aunt Martha."

"Goodness," said Sarah, "why

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aren't you children in bed?"

"Ah, Mom," protested Barbara, snuggling her head against her father's vest, "it isn't late. And I've just got to talk to Daddy." She looked up into her father's face with adoration. "You're away so much I hardly ever get to see you."

The Senator sighed and ran his fingers absently through the long locks so close to him. Life was very good, he decided. A fine wife. Wonderful children. And a successful career. What more could any man want? Further, he had to admit, his wasn't just any career. He had always placed public service ahead of everything else. He had seen his duty and he had done it.

But Robert from the doorway was looking disdainfully at his sister. "Aw, Barb . . . cut out that mush with Dad. Don't be so . . . so juvenile."

Sarah was not to be put off. "It's a way past your bedtime, youngsters. Off you go."

"Don't be like that, Mom." Robert was as stiffly erect as his father. His voice was changing and the unexpected soprano notes that intruded occasionally gave him considerable embarrassment, but he manfully strove not to notice. "It's only ten. And besides, I've got some studying to do. Come, Barb."

Reluctantly Barbara pulled herself away from her father, and the two children retired to a corner of the drawing room where some bookshelves held works of considerable fascination, at least insofar as the scion of the family was concerned.

WITH the children temporarily effaced, Sarah turned again to her husband. "Your speech was wonderful, Ralph. The people love you and trust you. And I'm very proud."

"Yes," said the Senator expansively, "it was a pretty good speech."

"Pretty good!" snorted Martha. "It was magnificent. I particularly liked that part about preventing the strong – the free enterprisers – from oppressing the weak. That was superb."

"Did I say that?" The Senator beamed with pleasure. "Whereabouts in my talk was that?"

"Just ask Martha, Ralph," chimed in Sarah. "I think she just about memorizes everything you say."

"All right, Martha. Just how did I put it?"

"You said," and Martha couldn't resist a hint of the Senator's own histrionics as she spoke, " 'We must cause justice to prevail in the land. To obtain justice, the wicked and evil must be destroyed.

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This means that the selfish interests, the free enterprisers who have fought so diligently to prevent the building of the great Conswerve Dam, had to meet the full measure of their own wrong doing. This I have done. I have prevented the strong from oppressing the weak. I have furthered the welfare of the people. The dam is going forward, backed by federal funds so that all the people shall benefit by the free use of what all the people own.' "

The Senator nodded. "That was pretty strong. But it was true. I'm glad I put it just that way."

Martha was now in her element. "That wasn't the only part of what you said that was strong and to the point. Really, Ralph, you were tremendous. You even brought tears to my eyes. You said: 'God has seen fit to grant that the people, in their wisdom, have returned me to office a second time. This, as I interpret it, bestows upon me a sacred trust, ordained from the Most High. It is my solemn pledge that I shall support the people in their need. I shall stand foursquare for government owned and operated water power, water conservation, irrigation, and flood and storm control. Let it be emblazoned on my record that I have stood for the abundance of my constituents. I have supported the farmer in his plight, the businessman against unfair competition, the student by insisting on larger, more modern, and more adequate school construction. And as God is my witness, I stand forever on the firm rock of international peace and good will by means of the United Nations.' "

Even the Senator was moved by this mirror of his own eloquence. He was speechless for a moment; Sarah sighed and leaned against him, and the world was his.

BUT THERE WAS a disturbance from the corner into which the two children had retired.

With an intense whisper Barbara was saying, "He did not!"

And with equal intensity her brother hissed back, "He did, too!"

"He did not!"

"He did, too!"

"Children!" Sarah was most stern. "What is that all about?"

"Well, Mom," explained Robert, "Barb says that Hammurabi never said anything at all like what Dad said at the meeting tonight. But he did!"

"Who, in heaven's name, is Hammurabi?" inquired the Senator. The name sounded foreign. Probably some congressman from a neighboring state. He never could keep track of the names of all the congressmen. There were so many of them. "Has someone

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been parroting my remarks?"

Barbara was almost in tears. "It's not fair. Rob is trying to . . . to belittle Daddy. He's . . . he's smearing him, that's what he's doing!"

Martha was aghast and Sarah was frowning seriously. "Tell me this minute what this is all about. I will not have you children sitting in judgment on your father. He is a great man. Much of what he talks about is away over your heads, so don't you try to . . . to . . . well, to compare him with others. You just don't know what you are talking about."

"But I do know, Mom." Robert was firmly in charge of the situation. "It's all down in writing."

He came from the corner lugging a large volume bound in black. "See, it's right here."

The book was *Our Oriental Heritage* by Will Durant, and Robert had it open to page 219. "Let me read it to you."

Clearing his throat and striking a dramatically awkward pose, Robert proceeded: "At that time Anu and Bel called me, Hammurabi, the exalted prince, the worshiper of the gods, to cause justice to prevail in the land, to destroy the wicked and the evil, to prevent the strong from oppressing the weak . . . to enlighten the land and to further the welfare of the people. Hammurabi, the governor named by Bel, am I, who brought about plenty and abundance; who made everything for Nippur and Durilu complete . . . who gave life to the city of Uruk; who supplied water in abundance to its inhabitants . . . who made the city of Borsippa beautiful . . . who helped his people in time of need; who establishes in security their property in Babylon; the governor of the people, the servant, whose deeds are pleasing to Anunit."

There was silence in the room, intruded upon only by the gentle hissing of the gas jets in the fireplace.

THE SENATOR was the first to recover. "Let me see that."

Dutifully, Robert handed over the volume.

"It's not at all like what Daddy was saying, is it?" cried Barbara.

"It is so," insisted Robert. "It's almost exactly alike. That's all I'm trying to show you."

"Let me look too, Ralph." Martha came forward and the three adults bent their heads over the large pages.

"Well . . . er, ah . . . well . . ." The Senator was struggling for words. "This does seem to paraphrase what I was getting at tonight, doesn't it, Martha?"

"What if it does?" Martha was defiant. "As far as I'm concerned, it just goes to show how truly

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Hammurabi, King of Babylon, stands before the sun god, Shamash, who is ordering him to establish just and righteous laws. This relief was at the top of the Code of Hammurabi, written about 2000 B.C.

Though scholarly historians may differ as to Hammurabi's exact role, there seems little doubt that he meant to "do good" to the people and that price controls, minimum wage laws, and numerous other regulations were among the "welfare" devices he employed. Arnold Toynbee refers to him as "the Diocletian rather than the Trajan of Sumeric history."

Photograph, Courtesy of the Oriental Institute, University of Chicago

great you are. This Hammurabi, whoever he was, must have been a very great man."

"Isn't that true, Robert?" His mother was accusing.

"Well, in a way, it is true." Robert now felt that everyone was against him and that in some way he was personally responsible for what Mr. Durant had written. "But actually, he was a liar."

"Oh, Robert," gasped Sarah, "how could you ever say such a thing?"

"But it's true, Mom. Honest. I'm not trying to say that Dad is a liar. I'm just trying to show you that Hammurabi was a liar. And it's true that what Dad said and what Hammurabi said were the same."

"That will be all!" Sarah's eyes were blazing. "Your father, the Senator, is loved and respected by everyone. I will not have him held up to scorn and ridicule in his own home. Go to your room!"

But the Senator intervened. "Now, Sarah. Robby doesn't mean to make it sound as badly as it did.

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Tell us about Hammurabi, son. Why do you say he was a liar?"

Robert stood his ground. "My history teacher said he was a liar, Dad. And what he said and what happened afterwards prove it. That part in there that I read to you is just something taken from a big stone cylinder that Hammurabi had made when he was king in Babylon. That was about 2000 B.C. Hammurabi, my history teacher said, was a 'do-gooder.' He caused all the people to be taxed so that big expensive palaces could be built for him to live in. He said he was doing it for the people, but the people lost their money and lived in bondage under him and the other kings who came after him.

"He said he brought water to the people of his area. But that isn't true. Some French archeologists dug up the remains of a very ancient civilization not far from the site of Babylon. And they discovered in the mummified remains of some workmen that they found, grains of millet. And by that process they were able to determine that the land around Babylon had been irrigated with lots of water for centuries before Hammurabi was made king. He just took the credit for things other people had done.

"And then, if you read further in there, you'll see that he claims to have established a permanent government and peace and security for all future time to come. And that makes him a liar, Dad, because the civilization he was talking about is no more. So he couldn't have done what he said he did, because if he had, it would still be there."

This was quite a speech for Robert. But now that he'd said what he had, his position seemed suddenly immaterial. He didn't want to hurt his father. He just had a passion for truth and it had seemed to him that his father had been a little too self-satisfied. Now he was afraid. And tears came to his eyes, which the adults didn't see because of those enormous glasses.

"Very interesting," commented the Senator. But his mind was in a whirl. If some opponent of his had made charges such as this, he could have employed all of his political sagacity and charm in skirting the issue, misleading the audience, ridiculing his opposition. But in his own home . . . he didn't know where to begin. And there was a most uncomfortable feeling which was beginning to bring a flush under his collar that Robert was right.

Sarah now took charge. "All right, Robert. Thank you for helping us with our education. I don't see that anything you have said

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makes any difference at all." And with a real show of authority she bustled the children out and upstairs.

After a few awkward moments Martha, too, excused herself and retired to her room, leaving the Senator alone with his thoughts.

• • •

In addition to Will Durant's *Our Oriental Heritage* (New York: Simon & Schuster, 1935), the following references may throw further light on the nature of Hammurabi's reign:

Harper, R. F. *Code of Hammurabi.* Chicago: University of Chicago Press, Callaghan & Co., 1904.

Assyrian and Babylonian Literature. New York: D. Appleton & Co., 1901.

Jastrow, Morris. *Civilization of Babylonia and Assyria.* Philadelphia: Lippincott, 1915.

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"OH, EAST IS EAST AND WEST IS WEST, AND NEVER THE TWAIN SHALL MEET"

John Chamberlain

WHEN those of us who are now middle-aged were in school, we took *specific* courses in history, government, civics, and the like. Today the "specifics" are frequently merged into an all-embracing category called "social studies." The loss of precision and definition is important, for as the elastic band stretches, basic principles become vague, and even facts cease to have weight. One learns that the UN is "where the nations cooperate" (my ten-year-old son's description), not that cooperation depends on finding a common objective (as in the case of a military alliance).

Since it seems to be the prime intention of a vast number of American "educators" to keep the young in a state of suspended animation insofar as learning the principles of international politics is concerned, a book such as Kenneth Colegrove's *Democracy Versus Communism,* edited by Hall Bartlett for the Institute of Fiscal and Political Education (Van Nostrand, 424 pp., $4.95) is an extremely welcome interruption of an all-too-pervasive trend. This book is an excellent introduction to the facts of international life in the epoch of the Cold War. After reading it and digesting it, no teen-ager with a slightly better-than-average IQ will ever be deluded by a speech of Khrushchev or the propaganda of some of our more vociferous "peace" societies. If UNESCO were a living force for education, it would have this book translated and distributed in many countries.

Democracy Versus Communism makes it indelibly plain that the world is divided; that communism and freedom are irreconcilable concepts; that communists engage in falsehood on principle; that words as used by communists are frequently distorted to cover a reality that is quite opposite to what the words themselves actually mean; et cetera, et cetera. All

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this is very much to the good. The illustrations (cartoons, drawings, models) are sprightly; the little boxes (see the one on "The Sick Chicken Case" which tells about the Supreme Court's invalidation of price-fixing codes) make for a refreshing variation of the main text. As for the body of the writing, it is pitched to the supposed mentality of boys and girls of high school age. Whether one ought to purge high school texts of the literary pleasures of suggestion, allusiveness, irony, humor, and sheer good spirits may be questioned. But if the prime virtue of good high school teaching is lucidity, *Democracy Versus Communism* must stand high on the list.

Doubts About Democracy

The book is, of course, "introductory." Right here there arises an important question: just what was the full intention of its author, its sponsors, and its numerous "advisory" editors (including Dr. Erling M. Hunt, chairman of the Department of Social Studies in Teachers College, who contributes an introduction)? Considered as a preparation for future courses on international relations, *Democracy Versus Communism* could hardly be bettered. It tells why Moscow is bound to be a continuing menace. It is only when one thinks of the book as an introduction to the history or principles of the American Republic that certain shortcomings begin to bulk large. The author has fully understood the meaning of "communism." It cannot be said that he has reached a fundamental understanding as to the meaning of "democracy."

He starts out bravely enough when it is a question of dealing with the origins of free governments in the West. He knows what Locke and Jefferson said. He knows that John Adams approved of the Massachusetts State Constitution because it provided for a "government of laws, not men." He knows that the property right is just as much a human right as freedom of religion or of the press. He knows that minorities should be protected – which means that he is not for "majoritarian" democracy.

But when the book, in its historical aspects, approaches the present, its acceptance of the Benthamite theory that law should promote "the greatest happiness of the greatest number" tends to introduce a note of confusion. Who can really know anything about "happiness" in respect to "numbers"? What, to cite an extremity, if 51 per cent of the people were to define their happiness as cannibalism? The "greatest happiness" test, since it must be a subjective guess where it is not a

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crude matter of plebiscite, can lead to all manner of tyrannies. The author of *Democracy Versus Communism* is clear on the point that Jefferson posited some unalienable natural rights, but he is not at all clear that a right should not be subjected to the Benthamite test. An "unalienable right" must be beyond the reach of numbers, or it is no right. It is merely a convenience that is sanctioned for the moment by the positive law of majoritarian legislators.

Are There No Limits?

The test of the author's convictions (or lack of convictions) is his treatment of the idea of the "general welfare." He asks: "How far should government go?" But in the case of such things as compulsory union shop, the TVA principle, and the right of government to limit the cut of timber in a privately owned forest, he has no answer to his own question. Is "democracy," then, anything that "democracy" cares to do?

The question becomes important to any consideration of what it is that we are supposed to be defending against the Moscow-directed drive to take us all over. If, as the author says, "there is no exact dividing line between individual liberty and government authority," how are the students who read this book to know where their own fortress of freedom is vulnerable? "The line," so the author insists, "shifts with the need of the times." And he quotes that hoary old chestnut of Mr. Justice Holmes that the "right of free speech" does not include the right to shout "fire" in a crowded theater.

Mr. Justice Holmes was, of course, quite correct in his observation. But what the author of this book fails to perceive is that the quotation of the Holmes' dictum usually leads to a confusion of categories. A theater may be a public place, but it is also private property. And the owners of property are privileged to formulate the rules of behavior which are to govern its use by those who pay rent or fee. Clearly any theater owner who would give his patrons permission to cause a stampede by shouting "fire" on the premises should be put under surveillance as a potential menace to the right to life and limb.

Again, the author of *Democracy Versus Communism* justifies state intervention in the economic process by observing that "we have traffic laws to regulate automobile and truck travel." Here, once more, is a confusion of categories. Roads are owned by the state, or the community, and the owners have the right to formulate rules to cover the use of their property.

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"Necessity" versus Rights

If we are sharp enough to distinguish between such things as the right to free speech and the right to formulate rules for the use of property, there should be little difficulty in determining such larger issues as the "dividing line between individual liberty and government authority." There will, inevitably, be twilight zone areas and twilight zone questions, such as the right to take unlimited oil from an underground pool which is not contained by property boundaries. But when the editors of *Democracy Versus Communism* justify the TVA on the ground that the government has the right to engage in business activity "when private enterprise lacks the resources for . . . a huge development," they are clearly crossing the proper dividing line between individual liberty and government authority. Private enterprise might be reluctant to undertake the job of leveling the Rocky Mountains and dumping the earth into the Gulf of Mexico to make new land. Is this any reason why the people should be taxed to do it?

On page 303 the author says that "public housing for small-income families has become a necessity." Well, such housing may seem a "necessity" if the government has made costs prohibitive by inflating the currency, or by allowing a painters' union to limit the size of paint brushes, or by insisting that the thickness of plywood walls shall be governed by building codes designed originally for brick. But if one is to use "necessity," not rights, as the gauge with which to test government economic activity, where does one stop? And by what standard does one have a right to complain when the communists seize the kitchen gardens of the peasants? Khrushchev has just done that in the name of "necessity."

It may seem ungracious to single out certain passages of *Democracy Versus Communism* for attack. But the book is so good as an introduction to contemporary international affairs that one wishes it could be commended as a proper introduction to the practice of government at home.

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A selection from *Shirtsleeve Economics: A Commonsense Survey* by William A. Paton, Appleton-Century-Crofts, Inc., New York. 460 pp. $4.50.

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